A&J Mucklow Group plc

Annual Report and Financial Statements
for the year ended 30 June 2015

Stock Code: MKLW

MUCKLOW

A & J Mucklow Group was founded in the West Midlands in 1933 and listed on the London Stock Exchange in 1962. Its principal activity is selectively to develop and invest in modern industrial and commercial buildings in prominent locations around the Midlands.

The Group's main objective is the long-term enhancement of shareholder value through dividend and capital appreciation.

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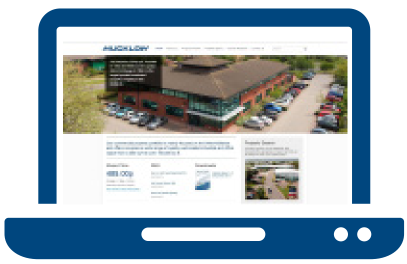
www.mucklow.com



Strategic Report

Apex Park, Worcester
Completed December 2014

Financial Summary

for the year ended 30 June 2015

Statement of comprehensive income

	Year ended 30 June 2015	Year ended 30 June 2014
Statutory pre-tax profit	**£56.2m**	£40.7m
Underlying pre-tax profit (1)	**£13.9m**	£12.9m
Basic EPS	**89.02p**	66.45p
EPRA EPS (2)	**22.21p**	21.09p
Ordinary dividend per share	**20.84p**	20.23p

Balance sheet

	30 June 2015	30 June 2014
Net asset value	**£268.6m**	£225.0m
Basic NAV per share	**424p**	356p
EPRA NAV per share (3)	**427p**	358p
Net debt	**£69.0m**	£66.8m
Gearing	**26%**	30%

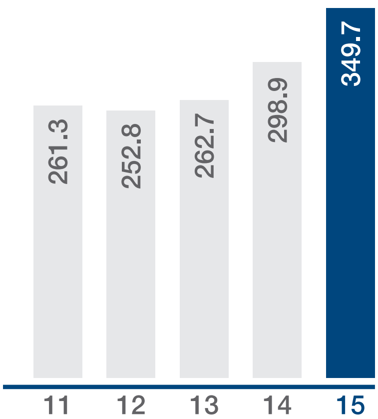
Property portfolio

	30 June 2015	30 June 2014
Vacancy rate	**5.4%**	6.7%
Portfolio value (4)	**£349.7m**	£298.9m
Valuation gain	**£42.5m**	£27.7m
Initial yield on investment properties	**6.3%**	6.8%
Equivalent yield	**7.2%**	7.9%

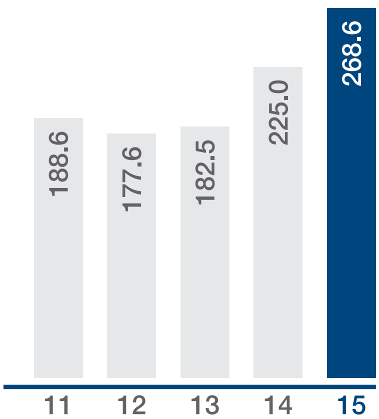
Recommended final dividend of 11.53p per share (2014: 11.19p), making the total in respect of the year ended 30 June 2015 20.84p per share (2014: 20.23p). The final dividend will be paid as a Property Income Distribution (PID).

1. See page 10 of the property and finance review for the calculations.
2. Excludes the profit on disposal of investment, development and trading properties and the revaluation of investment and development properties and derivative financial instruments and tax adjustments. See note 10.
3. Excludes the fair value of derivative financial instruments and includes the surplus on trading properties. See note 10.
4. See note 11.

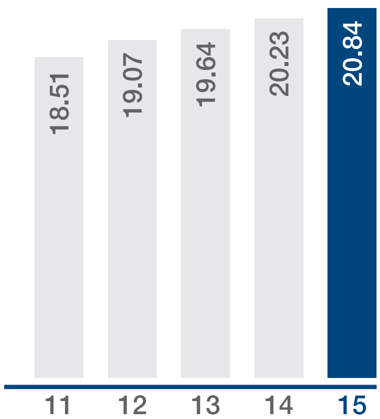
Portfolio Value
+ 17% at £349.7m



Net Asset Value
+ 19% at £268.6m



Ordinary Dividend
+ 3% at 20.84p



Chairman's Statement

Rupert Mucklow
Chairman

I am pleased to report another strong performance by the Group for the year ended 30 June 2015.

Results

Statutory pre-tax profit was 38.1% higher at £56.2m, compared with £40.7m for the corresponding period last year.

The underlying pre-tax profit, which excludes revaluation movements and profit on the sale of investment and trading properties increased by 7.6% to £13.9m (2014: £12.9m). EPRA adjusted earnings per Ordinary share was 22.21p (2014: 21.09p).

EPRA net asset value per Ordinary share increased by 19.3% during the year from 358p to 427p.

Shareholders' funds rose to £268.6m (2014: £225.0m), while borrowings net of cash amounted to £69.0m (2014: £66.8m). Debt to equity gearing reduced to 26% (2014: 30%) and LTV to 20% (2014: 22%).

Dividend

The Board is recommending the payment of a final dividend of 11.53p per Ordinary share, an increase of 3% over last year (2014: 11.19p), making a total for the year of 20.84p (2014: 20.23p). Following the approval by shareholders at the AGM, the final dividend will be paid on 4 January 2016, to shareholders on the register at the close of business on 4 December 2015. The final dividend will be paid as a PID.

Property Review

The regional occupier and property investment markets have continued to improve over the last 12 months. A shortage of quality industrial space has enabled us to start increasing rental levels on our vacant properties and when negotiating lease renewals. Property values have also continued to rise on the back of strong investor demand and evidence of rental growth.

Our vacancy rate at 30 June 2015 had reduced from 6.7% to 5.4%. We completed 31 new lettings and 23 lease renewals during the year, representing 12.8% of our investment portfolio by area. We achieved average rental levels on new lettings and lease renewals approximately 3% above our estimated rental values and 11% higher than when the properties were previously let respectively.

Two investment properties were acquired during the year at a total cost of £4.2m. We bought a 28,000 sq ft industrial unit at Meridian Business Park, Leicester and a 30,192 sq ft industrial unit at Nexus Point, Birmingham. The combined rental income for the two properties is currently £0.24m pa (£4.14psf), with an estimated rental value of £0.34m pa (£5.75psf).

We have acquired a small investment property for £2.8m since the year end, and we are still actively looking to acquire further investment properties, but it has become more difficult to source suitably priced opportunities. As a consequence, our focus has now shifted towards pre-let development, where we are able to create our own investment properties, on more attractive returns.

We completed our 116,000 sq ft development for Worcester Bosch at Apex Park, Worcester in December 2014, which is now on rent. Our proposed 350,000 sq ft industrial development at Mucklow Business Park, Tyseley, Birmingham has been delayed, while we wait for Birmingham City Council to commence construction on a new link road alongside our 20 acre site. We hope to start marketing for pre-let buildings later this year and are looking for further development opportunities.

Valuation

DTZ Debenham Tie Leung Ltd revalued our property portfolio at 30 June 2015. The investment properties and development land were valued at £349.7m, which showed a revaluation surplus of £42.5m (13.8%).

The initial yield on the investment properties was 6.3% (30 June 2014: 6.8%), increasing to 6.7% on the expiry of the rent free periods. The equivalent yield was 7.2% (30 June 2014: 7.9%). Our industrial property increased in value by 16.1% during the year; offices by 13.0% and retail by 7.8%.

DTZ Debenham Tie Leung Ltd also revalued our trading properties at 30 June 2015. The total value was £1.9m, which showed an unrecognised surplus of £1.5m.

Finance

Total net borrowings at 30 June 2015 were £69.0m (30 June 2014: £66.8m). Undrawn banking facilities totalled £29.2m, while net debt to equity gearing had reduced to 26% (30 June 2014: 30%) and loan to value 20% (30 June 2014: 22%).

Principal Risks and Uncertainties

There have been no changes in the principal risks and uncertainties of the Group, which remain as disclosed on page 15 of the Annual Report for the year ended 30 June 2015.

Outlook

Our investment portfolio is just starting to benefit from rental growth and should continue to perform well over the next few years as we continue to renew and re-let space at higher rental levels, as leases expire.

We are not expecting any significant changes in the Midlands property market over the next 12 months and remain optimistic about our future prospects.

Rupert Mucklow
Chairman
7 September 2015

Property and Finance Review

Justin Parker
Managing Director

David Wooldridge
Finance Director

Overview

The Group has delivered a robust performance in 2015. Revaluation uplifts on the investment and development portfolio have increased statutory pre-tax profit to £56.2m. We have acquired two further investment properties, completed the pre-let 116,000 sq ft distribution depot in Worcester, increased occupancy levels and enhanced the existing portfolio through refurbishment, leading to a £1.5m increase in annual rent roll.

The high level of investor demand for property in our markets has made it more difficult to acquire investment properties on long leases at an entry price that that will provide the Group with long-term growth in income and capital to support a progressive dividend policy. Our focus has been to acquire properties with opportunities to enhance income through asset management. Two investment properties, with a combined annual rental income of £0.2m, were acquired in the year in off-market transactions. In addition, we let the Redfern Park unit, acquired with vacant possession in March 2014, at an annual rent of £0.2m.

Given the weight of money chasing investment properties, and the lack of supply of industrial stock, our intention is to pursue pre-let development. During the year we completed the pre-let 116,000 sq ft unit at Worcester in December 2014, increasing our annual rent roll by £0.7m. We are continuing to progress our 20 acre development site at Tyseley, Birmingham.

Occupational demand and a lack of available stock in our core market of Midlands industrial, along with our asset management initiatives, have led to a reduction in our vacancy rate from 6.7% to 5.4% over the year, and provided rental evidence for growth on new lettings and lease renewals. Rental incentives offered to new and existing tenants have also contracted.

We have continued to invest in refurbishing the existing portfolio to achieve higher returns from new lettings. This has resulted in our property outgoings continuing at the elevated £1.0m level we reported last year, but the results are apparent in our increased occupancy and annual rent roll.

The property investment market has gone from strength to strength due to continued investor demand for real estate. The equivalent yield on our portfolio compressed by 0.7%, from 7.9% to 7.2%, increasing the capital value by 13.8% (£42.5m) to £349.7m. This led to an increase in our statutory pre-tax profit to £56.2m (2014: £40.7m), shareholders' funds by 19.4% (£43.6m) and reduced our balance sheet gearing by 4% to 26%.

Strategy and Business Model

The Group's main objective is the long-term enhancement of shareholder value through dividend and capital appreciation, whilst adopting a conservative financial structure.

As a Real Estate Investment Trust, we are committed to distributing 90% of the profits of our tax exempt business. We therefore expect dividends to be an important part of the total shareholder return.

Our long-term objective remains focused on accumulating a portfolio of high quality, well-located, modern, income producing properties, with potential for long-term rental and capital growth which are attractive to both occupiers and investors.

The Group's primary sector focus is industrial. We believe that by investing mainly in industrial property, which tends to offer a higher level of income return than offices and retail, at an attractive margin to our cost of debt, we are able to provide shareholders with a higher level of dividend yield and the prospect of long-term dividend growth. Our selective office and retail properties also offer attractive income returns and capital growth prospects, as well as diversifying our income stream and tenant base.

We continue to primarily invest and develop in the Midlands region, an area we consider to offer attractive long-term rental and capital growth potential, and where we have over 75 years' experience. The geographic concentration of our portfolio, and range of unit sizes and lease expiries, means that we can work closely with our existing customers to satisfy their space requirements as their businesses expand, or their requirements contract, within our existing portfolio.

The three areas of our strategy are:

- Selectively acquiring and disposing of investment properties;
- Developing new properties for long-term investment; and
- Actively managing our assets to enhance value.

We continue to be a counter-cyclical investor in modern, well located, quality investment properties, where we expect to achieve attractive returns. Given the long-term and cyclical nature of the property market, we believe that the precise timing of acquisitions and disposals is crucial in boosting returns from our existing property portfolio.

The core of our business is the investment property portfolio, which represents 98% of the value of the investment and development properties held. The investment portfolio consists of 58 properties/estates, with 343 units, totalling 3.8m sq ft.

We are also a selective developer of well located, high quality property, developing properties when the occupier market is strong.

In addition, our proactive approach to the management of our assets allows us additional opportunity to enhance overall value.

Our low cost base, comprising only twelve employees, as well as three non-executive directors, enables us to pay a high proportion of our profits as dividends. In addition, the small size of the team enables us to react quickly to changing market conditions, and the liquidity of our financing provides us with the ability to transact quickly.

A conservative financial structure leads to a lower cost base, in terms of interest payable, and reduces the Group's exposure to volatility in interest rates and property valuations.

Key performance indicators

As stated above, the Group's main objective is the long-term enhancement of shareholder value through dividend and capital appreciation, whilst adopting a conservative financial structure. As a result, the key performance indicators we use to reflect the achievement of that objective on an annual basis are: underlying pre-tax profit; vacant space; dividend growth; and gearing.

Key Performance Indicators	2015	2014
Underlying pre-tax profit* (£000)	**13,885**	12,907
Vacant space (%)	**5.4**	6.7
Dividend growth (%)	**3.0**	3.0
Gearing (net of cash) (%)	**26**	30

* See the table on page 10 for the calculations.

Relative total shareholder return, over a three year period, is the performance measure used for the Group's Performance Share Plan, aligning the remuneration of the Managing Director and Finance Director with returns received by shareholders.

Group structure

A & J Mucklow Group plc has four main subsidiaries for property development and investment. All of the Group's properties are wholly owned.

Properties let to a single tenant are tenant managed, and portfolio managers at A & J Mucklow Group plc monitor the management of the sites regularly.

On multi-let properties the day-to-day management is outsourced to managing agents, who report to portfolio managers at A & J Mucklow Group plc.

Acquisition and disposal of investment properties

In January 2015 we acquired a 28,000 sq ft industrial unit at Meridian Business Park, Leicester at a total cost of £2.1m (£75 psf capital value). The unit was built in 1995 and is prominently located on Meridian East, adjacent to Junction 21 of the M1. A ten year lease was agreed in August 2014 at an annual rent of £0.15m (£5.18 psf).

We completed the purchase of a 30,192 sq ft unit at Nexus Point, Holford, Birmingham in June 2015. The total cost of the acquisition of £2.1m equates to a capital value of £69 psf. The ten year old unit was let on a five year lease in November 2013 at a rent of £0.10m (£3.19 psf), which offers significant reversionary potential. The building is well-located close to Junctions 6 and 7 of the M6, three miles to the north of Birmingham City Centre.

Both of these modern industrial units were acquired at capital values below their replacement cost. Combined with the potential for significant increases in rental income to current market rates, these buildings have the potential for long-term growth in income and capital value.

Property and Finance Review continued

In August 2015 we acquired a well-located 19,203 sq ft retail unit in Leicester City Centre for £2.8m in an off-market transaction. The unit is let to Matalan Retail Limited with an unexpired term of 8 years with an annual rent of £0.18m.

In September 2014 we disposed of a 5,400 sq ft stand-alone industrial unit forming part of the larger Coleshill Industrial Estate for £0.4m (capital value of £74 psf) to a special purchaser. The unit was previously let at an annual rent of £32,400. A profit on disposal of £0.1m has been recognised in the statement of comprehensive income.

Developing new properties for long-term investment

Completion of the 116,000 sq ft pre-let distribution unit at Apex Park was achieved in December 2014. Worcester Bosch took occupation and are paying £0.72m pa in rent.

Birmingham City Council will hopefully commence the construction of a new link road adjacent to our 20 acre Mucklow Business Park, Tyseley site within the next 12 months. The site will accommodate up to 350,000 sq ft of industrial and warehouse buildings. We shall initially be targeting pre-let development.

Actively managing our assets to enhance value

In the first half of the financial year we let a 36,000 sq ft industrial unit at Redfern Park, Tyseley. The property was acquired with vacant possession in the second half of the 2014 financial year for £1.54m (including Stamp Duty and costs) and was refurbished to a high standard at a cost of £0.2m. The property was let in October 2014 on a 20 year lease without breaks at an annual rent of £0.21m (£5.75 psf).

As part of the relocation of Worcester Bosch to the Apex Park development, the tenant vacated our Knightsbridge Park, Worcester unit (48,145 sq ft) in January 2015. The unit was re-let in April at £0.25m pa (£5.19 psf) to Yamazaki Mazak UK Limited on a 10 year lease.

Due to lack of available industrial space in the Midlands, we agreed the early surrender of a December 2015 lease end of one of the units at our Wednesbury One estate in order to refurbish the 50,359 sq ft unit and bring the property back to the market early. The unit was previously let at £0.24m pa (£4.84 psf). Refurbishment works were completed in July and marketing is ongoing.

The first real signs of rental growth started to come through in the year. Increases of 25-50p psf have been achieved on 25 year old buildings, which we have not seen for over 10 years.

In order to obtain those higher rents and attract longer leases, we have invested in the existing portfolio, particularly at our smaller, multi-let industrial estates.

In July 2014 we surrendered a lease on a 15,000 sq ft unit at Mucklow Hill Trading Estate, Halesowen, let at £70,000 pa. Following a refurbishment costing £0.1m, including splitting the unit into two, we agreed lettings on ten year leases to Screwfix and Toolstation at a combined rent of £84,500 pa.

Occupancy

In last year's report we targeted a void level of below 6% by the end of the current financial year. We ended the year with a rate of 5.4%, despite taking back the 50,359 sq ft unit at Wednesbury One (amounting to 1.3% of the investment portfolio).

Valuation

The external valuation of the Group's investment and development portfolio at 30 June 2015 totalled £349.7m (2014: £298.9m) leading to a valuation surplus of £42.5m of which £42.4m is recognised in the statement of comprehensive income.

The uplift in value was seen throughout the year, with £20.9m recognised in the interim results to 31 December 2014 and the balance of £21.6m in the second half of the financial year.

Yield breakdown – investment properties

	Initial yield 30/06/15	Initial yield 30/06/14	**Equivalent yield 30/06/15**	Equivalent yield 30/06/14
Industrial	**6.2%**	7.0%	**7.3%**	8.0%
Office	**7.2%**	7.5%	**7.6%**	8.2%
Retail	**5.9%**	5.9%	**6.4%**	6.9%
Total	**6.3%**	6.8%	**7.2%**	7.9%

Finance Review

The Group has had another successful year, with profit before tax hitting a record £56.2m, compared with £40.7m last year, and underlying profit before tax increasing by £1.0m to £13.9m. EPRA earnings per share increased by 5.3% to 22.21p (2014: 21.09p).

Basic net asset value per share increased by 19.1% to 424p, mainly as a result of the property valuation surplus of £42.5m.

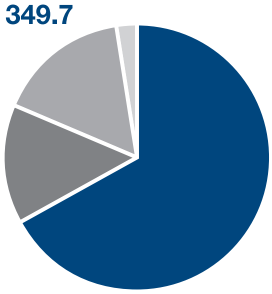
Over the two years under review our net assets have increased by £86.1m (47%) to £268.6m. In the same period we have paid dividends to Ordinary shareholders of £19.3m, with a further payment of £5.9m in July 2015, and raised £14.2m of new equity capital in March 2014.

Income

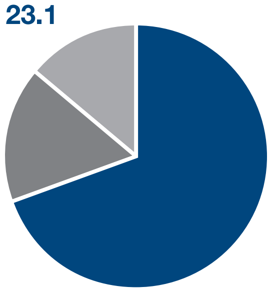
Gross rental income increased by £0.45m to £21.6m, with the income from development (£0.38m), acquisitions (£0.07m) and lettings and reviews (£0.28m) offset by the sale of the Century House, Worcester office in May 2014 (2014 rental income: £0.28m).

Property outgoings are virtually unchanged from the prior year, as we continue to invest in repositioning existing properties to reap the benefits of rental income and capital value growth in an improved occupier and investment market.

Capital Value £m
349.7



Current Rent £m pa
23.1



Net rental income increased by £0.46m, from £20.12m to £20.58m.

Administration expenses have remained at £3.2m.

Interest costs have decreased by £0.5m in the year, mainly due to the redemption of the £4.2m of remaining 11.5% Debenture Stock on 1 July 2014.

As a result of the above, underlying profit before tax increased from £12.9m to £13.9m (7.6%).

No trading properties were disposed of in the year. A small investment property was disposed of in the first half-year for £0.4m, generating a profit of £0.1m.

As the Group does not hedge account its derivatives, a fair value decrease of £0.2m (2014: £0.1m) in respect of the Group's interest rate caps has been recognised in the year.

Unrealised property revaluation surpluses increased profit before tax by £42.4m (2014: £27.6m) to £56.2m (2014: £40.7m).

Taxation

No current tax charge has been recognised in the year, as the majority of the Group's income is exempt from corporation tax due to our REIT status. A prior year tax provision of £0.1m has been released in the year under review as the potential liability has been removed.

We continue to comfortably meet all of the REIT requirements and maintain our REIT status.

Dividend

An interim dividend of 9.31p per share was paid as a Property Income Distribution ("PID") on 1 July 2015, just after our financial year end.

The Board proposes a 3% increase in final dividend, in line with the increase at the interim stage, to 11.53p per share (2014: 11.19p). The final dividend will be paid as a PID.

If approved, the dividend will be paid on 4 January 2016 to Shareholders on the register at the close of business on 4 December 2015.

The allocation of future dividends between PID and non-PID may vary.

The Board's continued intention is to grow the rent roll to enable a sustainable, covered, increase in dividends over the long-term, with a view to distributing around 90% of our recurring profit.

The interim dividend paid and proposed final dividend for the financial year (20.84p) are covered 1.07 times by EPRA earnings per share.

Property and Finance Review continued

Underlying financial performance

2015	Total £000	Investment/ development £000	Trading properties £000	Other items £000
Rental income	21,589	21,589	—	—
Property outgoings	(1,008)	(1,008)	—	—
Net rental income	20,581	20,581	—	—
Sale of trading properties	—	—	—	—
Property outgoings on trading properties	(12)	—	(12)	—
Net expenditure on trading properties	(12)	—	(12)	—
Administration expenses	(3,232)	(3,232)	—	—
Operating profit before net gains on investment	17,337	17,349	(12)	—
Net gains on revaluation	42,369	—	—	42,369
Profit on disposal of investment and development properties	106	—	—	106
Operating profit	59,812	17,349	(12)	42,475
Gross finance costs	(3,464)	(3,464)	—	—
Capitalised interest	66	—	—	66
Fair value movement on derivative financial instruments	(191)	—	—	(191)
Total finance costs	(3,589)	(3,464)	—	(125)
Total finance income	—	—	—	—
Profit before tax	56,223	13,885	(12)	42,350

2014	Total £000	Investment/ development £000	Trading properties £000	Other items £000
Rental income	21,141	21,141	—	—
Property outgoings	(1,025)	(1,025)	—	—
Net rental income	20,116	20,116	—	—
Sale of trading properties	45	—	45	—
Property outgoings on trading properties	(17)	—	(17)	—
Net income from trading properties	28	—	28	—
Administration expenses	(3,232)	(3,232)	—	—
Operating profit before net gains on investment	16,912	16,884	28	—
Net gains on revaluation	27,590	—	—	27,590
Profit on disposal of investment and development properties	271	—	—	271
Operating profit	44,773	16,884	28	27,861
Gross finance costs	(3,978)	(3,978)	—	—
Capitalised interest	10	—	—	10
Fair value movement on derivative financial instruments	(103)	—	—	(103)
Total finance costs	(4,071)	(3,978)	—	(93)
Total finance income	1	1	—	—
Profit before tax	40,703	12,907	28	27,768

Presented above is an analysis of the underlying rental performance before tax, as shown in the investment/development column, which excludes the impact of EPRA adjustments and capitalised interest. The directors consider that this further analysis of our profit before tax gives shareholders a useful comparison of our underlying performance for the periods shown in the financial statements.

Pictured: Meridian Park, Leicester

Net assets

Total equity increased from £225.0m to £268.6m in the 2015 financial year mainly due to profits before revaluation surplus of £14.0m and investment and development property revaluations of £42.5m, offset by dividends of £13.0m.

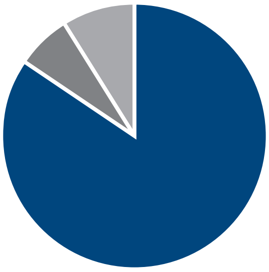
Financing, cash flow and going concern

Strong cash generation continued in the current year, with operating cash flow of £12.7m (2014: £13.3m).

Property acquisitions and developments, net of disposal proceeds, increased by 16.5% to £7.7m (2014: £6.6m) and borrowings increased by £2.0m.

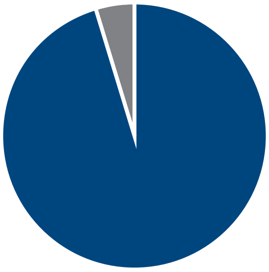
Equity dividend payments were lower in 2015 as the interim dividend was paid on 1 July 2015, just after the balance sheet date.

Let Space sq ft
3,610,775



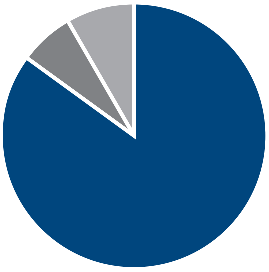
- Industrial 3,057,079
- Offices 238,401
- Retail 315,295

Vacant Space sq ft
204,334



- Industrial 194,763
- Offices 9,571
- Retail —

Total Space sq ft
3,815,109



- Industrial 3,251,842
- Offices 247,972
- Retail 315,295

Property and Finance Review continued

	2015 £000	2014 £000
Net cash generated from operations	**16,031**	16,944
From investment and development properties	**16,043**	16,916
From trading properties	**(12)**	28
Net interest paid	**(3,355)**	(3,626)
Taxation	**—**	6
Operating cash flow	**12,676**	13,324
Property acquisitions and development	**(8,094)**	(10,498)
Property disposals	**392**	3,885
Net expenditure on property, plant and equipment	**(72)**	(10)
Movement in borrowings	**2,046**	(2,500)
Share issue	**13**	13,768
Equity dividends	**(7,082)**	(12,239)
Net movement in cash	**(121)**	5,730

The Group's debt facilities have remained unchanged since the redemption of the 11.5% Debenture Stock on 1 July 2014.

Borrowing	Expiry year	Available £m	Drawn £m	Undrawn £m
HSBC overdraft	2015	1.0	—	1.0
HSBC Revolving Credit Facility	2018	44.0	15.8	28.2
HSBC term loan	2018	20.0	20.0	—
Lloyds 15 year term loan	2023	20.0	20.0	—
Lloyds 10 year term loan	2022	20.0	20.0	—
Preference shares	—	0.7	0.7	—
		105.7	76.5	29.2

Of the £76.5m of drawn debt at 30 June 2015, 99% is at fixed rates or covered by interest rate caps.

Our average cost of drawn debt at 30 June 2015 was 4.4% (2014: 4.5%) or 4.1% on total debt facilities (2014: 4.0%). The weighted average term remaining is 5.3 years, or 4.6 years on total debt facilities.

Analysis of borrowings at 30 June 2015

	2015 £000	2014 £000
11.5% First Mortgage Debenture Stock 2014	**—**	4,203
Preference Share Capital	**675**	675
Lloyds Term Loan 2023	**19,966**	19,962
Lloyds Term Loan 2022	**19,712**	19,672
HSBC term loan 2018	**19,805**	19,733
Borrowings from revolving credit facility	**15,750**	9,500
Debt and Preference Share Capital	**75,908**	73,745
Cash and short-term deposits	**(6,871)**	(6,992)
Net debt and Preference Share Capital	**69,037**	66,753
Net Assets	**268,640**	224,971
Gearing (net of cash)	**26%**	30%

As at 30 June 2015 the Group had £28.2m of undrawn term bank facilities and had drawn £15.8m from its HSBC £44m 2018 Revolving Credit Facility. The Group's £1.0m overdraft, which is due for renewal within 12 months of the date of this report, was undrawn. The Group has substantial headroom in its debt covenants and has a secure income stream from a diversified source pool of occupiers, without undue reliance on a single tenant.

Given these facilities, the Group's low level of balance sheet gearing of 26% and £128.1m of unencumbered properties, significant capacity exists to raise additional finance or to provide additional security for existing facilities, should property values fall.

The directors have reviewed the current and projected financial position of the Group and compliance with its debt facilities, including a sensitivity analysis. On the basis of this review, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Outlook

The quality and size of the Group's investment portfolio has been significantly enhanced since we converted to a REIT in 2007, with the floor area increasing from 2.8m sq ft to 3.8m sq ft, the annual rent from £15.0m to £23.1m and the Ordinary dividend per share from 14.73p to 20.84p (41%).

The 6.3% initial yield on our portfolio has compressed significantly over the last two years, but still looks very attractive in the current low interest rate environment. The property portfolio valuation remains at a discount to both the 5.6% yield as at June 2007 and the replacement cost of the buildings.

We expect the rate of yield compression to moderate, but the weight of money that is targeting real estate and the growth in rental levels should continue to support valuation increases.

Our existing portfolio offers rental growth potential and our low gearing provides us with the opportunity to enhance our underlying profits through continued investment and development to support the continuation of our progressive dividend policy.

Justin Parker
Managing Director
7 September 2015

David Wooldridge
Finance Director
7 September 2015

Property and Finance Review continued

Principal properties
at 30 June 2015

Industrial	Area sq ft
Access Point, Leamington Spa	48,147
Amber Way, Halesowen	61,933
Bewdley Road, Stirchley, Birmingham	54,220
Birchley Island, Oldbury	41,534
Bull Ring Trading Estate, Birmingham	69,054
Camp Hill, Birmingham	124,270
Coleshill Trading Estate, Birmingham	180,210
Coleshill Trade Park, Birmingham	31,993
Crompton Fields, Crawley, West Sussex	160,551
Enterprise Trading Estate, Dudley	170,001
Flagstaff 42, Ashby-de-la-Zouch	51,151
Forge Trading Estate, Halesowen	77,102
Forward Park Trading Estate, Birmingham	54,872
Golden Cross, Aston, Birmingham	76,722
Grange Park, Northampton	86,018
Hazelwell Mills Trading Estate, Stirchley	95,908
Kings Hill Business Park, Wednesbury	126,295
Knightsbridge Park, Worcester	48,145
Long Acre Trading Estate, Birmingham	61,640
Meridian Park, Leicester	28,002
Middlemarch, Coventry	45,092
Milton Point, Milton Keynes	41,126
Mucklow Hill Trading Estate, Halesowen	97,254
Neo Park, Tyseley, Birmingham	55,139
Nexus Point, Birmingham	30,192
Redfern Industrial Park, Tyseley, Birmingham	41,499
Redfern Park Way, Tyseley, Birmingham	36,000
Redwood Trade Park, Oldbury	61,207
Roman Park, Coleshill	84,916
St Andrews Trading Estate, Birmingham	29,705
Shannon Way, Tewkesbury	64,346
Shenstone Trading Estate, Halesowen	168,621
Shire Business Park, Worcester	110,345
Star Gate, Birmingham	87,315
Tachbrook Link, Leamington Spa	85,312
Triton Park, Rugby	77,698
Vantage One, Birmingham	34,920
Wednesbury One, Wednesbury	172,469
Yorks Park, Dudley	157,656

Offices	Area sq ft
Apex House, Apex 6 Business Park, Worcester	18,606
Apex Park, Worcester	28,080
Aztec West, Bristol	31,256
Compton Court, Coventry	15,790
Concorde House, Trinity Park, Solihull	24,125
Dukes Gate, Chiswick, London	17,761
Mucklow Office Park, Mucklow Hill, Halesowen	34,703
Oak Tree Court, Binley Business Park, Coventry	30,000
Quinton Business Park, Birmingham	23,154
309 Reading Road, Henley-on-Thames, Oxon	12,121
60 Whitehall Road, Halesowen	20,856

Retail	Area sq ft
Birchley Island, Oldbury	56,181
131/148 High Street, Bordesley	12,000
202–208 High Street, Harborne	24,681
Kings Heath Retail Park, Kings Heath	16,243
64/67 High Street, Stourbridge	33,482
Prospect Way, Halesowen	32,000
Tewkesbury Road, Cheltenham	17,000
Torrington Avenue, Coventry	128,500

Principal Risks and Uncertainties

The Board recognises that risk management is essential for the achievement of the Group's objectives and is responsible for the system of internal control and the review of its effectiveness.

The Board has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The process has been in place throughout the current year and up to the date of approval of this annual report and financial statements. Whilst the principal risks have remained unchanged during the year, the process is regularly reviewed by the Board, based on reports from management, and accords with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull working party.

The small size of the management team and regular consideration of risk areas allows management to respond quickly to changing events.

Details of the principal risks facing the Group, and the steps taken to mitigate those risks are set out below. The Board recognises that it has limited control over many of the external risks faced by the Group, but the impact of those risks, such as the macro-economic environment, are considered in the decision-making process.

Key to risk trend

↔ No change ↑ Trend up ↓ Trend down

Key risk areas for the Group

Key Risk	Mitigation	Movement in the period
INVESTMENT PORTFOLIO • Tenant default • Change in demand for space • Market pricing affecting value	• Portfolio diversification between industrial, office and retail properties with different tenant profiles, covenants, building sizes and lease lengths • Building specifications not tailored to one user • Not reliant on one single tenant or business sector • Focused on established business locations for investment acquisitions and developments • Environmental reports for acquisitions • Continual focus on current vacancies and expected changes	↓ The UK economic recovery continued in the year and there is a shortage of quality industrial stock for occupiers in our market. High levels of investor demand for real estate have compressed yields.
FINANCIAL • Reduced availability or increased cost of debt finance • Interest rate sensitivity • REIT compliance	• Low gearing policy • Large, unencumbered property portfolio available as security • Existing facilities sufficient for spending commitments • Fixed rate debt and hedging in place • Internal procedures in place to track compliance	↓ Interest costs have remained at historic lows and there is increased competition from lenders, as well as new entrants to the funding market.
PEOPLE • Retention/recruitment	• Key man insurance • Remuneration structure reviewed • Regular assessment of performance	↔ The Group has a small team of employees with a very low level of turnover. Remuneration packages and training needs are regularly reviewed.
DEVELOPMENT • Speculative development exposure on lettings • Cost/time delays on contracts • Inability to acquire land • Holding too much development land	• Limited exposure to speculative development • Buildings designed to be suitable for a range of tenants • Speculative development is focused on small to medium sized occupiers in well-established business locations • Use of main contractors on fixed price contracts, with contingencies built into appraisals • The main Board carefully considers all development land acquisitions to ensure exposure is limited to reasonable levels and that prices paid are realistic	↓ The Group's pre-let Apex Park development in Worcester completed in December 2014. No speculative development was undertaken in the year. At 30 June 2015 development land represented less than 2% of the value of the Group's investment and development portfolio.

Corporate and Social Responsibility

The Group is committed to delivering its strategic objectives in an ethical and responsible manner.

Human Rights

The Group recognises that our employees are a key element in the continued success of the business. The Board believes in the continuous development of employees and provides support through access to relevant training and performance appraisals. Employee rights are set out in the Group's Employee Handbook.

The Group has a relatively flat management structure, with clear roles and responsibilities.

All employees are well incentivised through their remuneration package and all employees (excluding non-executive directors) participate in the performance of the Group through a Share Incentive Plan. Eligible senior management also participate in a shareholder approved Performance Share Plan, with performance measured against comparator total shareholder return. Executive directors are expected to build up a shareholding with a value equivalent to 200% of their base salary over a period of time, further aligning their interests with shareholders.

We aim to promote employee well-being through flexible working, medical support and access to gym facilities. There has been no staff turnover in the year under review.

The Group has not used temporary employees or contractors for employee roles during the period under review.

Due to the small number of employees in the Group (12 employees and 3 non-executive directors), no strategic targets are set by the Board in this area. Although the Group does not have a separate human rights policy, we seek to avoid business practices that would adversely affect human rights. Our operations, as a property investor and developer, are based solely within the United Kingdom, and are considered to be a low risk in relation to human rights issues. No issues relating to human rights have arisen in the current or prior years.

Equality and diversity

As at 30 June 2015, the composition of the Group's employees, including both Executive and Non-Executive Directors, was as follows:

	Male	Female
Directors (including Non-Executives)	6	—
Senior Management	4	1
All other staff	—	4

The Board are conscious of the increased focus on diversity in the boardroom and acknowledge the importance of diversity, but note that changes to the composition of the Board should not be forced. When future appointments to the Board are considered, as part of the gradual refreshing of the Board, the Nomination Committee believes that the best person for the role should be selected, whilst recognising the benefits of diversity when considering a particular appointment.

Environmental and social policy

The Group has an environmental and social policy addressing the importance of those issues in the day-to-day running of the business, which is detailed below.

Environmental policy

There are five main areas of the environmental policy:

- An independent environmental report is required for all potential acquisitions, which considers, amongst other matters, the historic and current usage of the site and the extent of any contamination present.
- Consideration is given in the design process of development and refurbishment projects to the choice of materials used to avoid the use of materials that are hazardous to health or damaging to the environment.
- An ongoing examination of the business activities of existing and new tenants is carried out to prevent pollution risks occurring. The Group monitors all incoming tenants through its insurance programme to identify potential risk, and high-risk business activities are avoided. As part of the active management of the portfolio any change in tenant business practice considered to be an environmental hazard is reported and suitably dealt with.
- All sites are visited at least annually and any obvious environmental issues are reported to the Board.
- All leases prepared after the adoption of the policy will commit occupiers to observe any environmental regulations.

Any problems are referred to the Managing Director immediately and the Board of Directors at the next Board meeting.

Social policy

The activities of the Group are carried out in a responsible manner, taking into account the social impact. The two main areas of social impact have been identified as planning and developments/ refurbishments.

Planning

The Group considers the impact on the surrounding areas and communities where planning permissions are to be submitted and considers the legitimate concerns of interested parties as part of the process.

Developments and refurbishments

Development and refurbishment projects are subcontracted. The Group monitors the works, directly and in conjunction with project managers on larger projects, to ensure they are carried out in accordance with relevant guidelines and laws. All subcontractors are assessed to ensure that they have sufficient resources to meet legal requirements.

Review and responsibility

The Social and Environmental policy, which applies to all companies in the Group, is reviewed annually as part of the Group's Turnbull Committee meetings. Justin Parker has main Board responsibility for social and environmental issues. Responsibility for health and safety, equal opportunities and business ethics is given to the whole Board.

Development of Apex Park, Worcester

The Apex Park scheme was developed with due consideration for both ecological and sustainability considerations for a brownfield development site and was designed to achieve a very good BREEAM rating. The existing SSSI area of the overall Apex site has been enhanced with the creation of an additional pond to assist wildlife.

The concrete demolition material from the previous building and all of the associated yards has been crushed and graded for reuse on site in order to reduce the need for new quarried materials and the positioning of the building on the site has been raised by approximately 300mm to negate the need to export any materials off site as part of the reconstruction costs. A total of 32,000 tonnes of recycled aggregate has been used in the development.

The insulation values for the roof and walls have been increased in thickness to enhance the achieved U values for the building. This provides a much improved stable environment and reduces heating and energy costs.

LED lighting has been incorporated to all external areas of the building and all areas of the building have absence detection to switch off the lighting.

The offices are heated and cooled with high efficiency heat pumps.

Health and Safety

The Board recognises the importance of maintaining high standards of health and safety in all areas of the Group's business and receives a report from the Managing Director at each board meeting.

The Group has appointed external consultants to advise on health and safety issues and policies and assess contractors. The health and safety policy is annually reviewed by the external consultants. A health and safety committee, chaired by the Managing Director, meets quarterly to consider any issues arising, including the training needs of relevant employees. The external consultants attend the committee meetings on an annual basis.

All members of the senior management team, including executive directors directly involved in property matters have received external health and safety training.

There were no significant issues to report in the current or prior year.

Greenhouse gas emissions

Under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, the Company is required to report annual greenhouse gas emissions. The details for the financial year ended 30 June 2015 appear in the table below.

Sources of greenhouse gas emissions	**2014/15** **tCO_2e**	2013/14 tCO_2e
Scope 1		
Gas, refridgerants and car fuel	**126**	86
Scope 2		
Landlord controlled electricity	**272**	308
Total footprint	**398**	394
Intensity measure	**tCO_2e/sq ft**	tCO_2e/sq ft
Emissions per 000s sq ft	**0.7**	0.9

DEFRA emissions factors have been updated for 2015 and year on year changes will be influenced by this.

We have used the operational control method to outline our carbon footprint boundary. Tenants usage or emissions are not included as we do not have control over those items. Emissions from vacant space have been included.

We have measured emissions based on the GHG Protocol Corporate Accounting Standard (revised edition) and guidance provided by the UK's Department for Environment, Food and Rural Affairs (DEFRA) on mandatory carbon reporting. The emissions factors and conversions used were from the DEFRA greenhouse gas reporting tool.

The intensity measure has been amended to tCO_2e/sq ft, rather than the kWh/tCO_2e used last year. Although the Group's footprint has increased slightly, our carbon performance improved per sq ft with emissions decreasing over the year.

Corporate and Social Responsibility continued

Donations

No political contributions were made during the year (2014: nil) and donations to local and national charities amounted to £10,940 (2014: £1,525).

As reported last year the Group agreed to contribute £10,000 to a local community project to help purchase a historic walled garden in a grade 1 listed park in Halesowen. Hales Owen Abbey Trust plans to apply for lottery funding in order to restore the garden and open it to the public. The 18th century feature in Leasowes Park, Mucklow Hill, is close to the Group's head office, as well as a number of its investment property holdings. The payment was made in the 2015 financial year and is included in the donations amount above.

Board statement

The Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the business model, strategy and performance. As part of the process to consider this statement the Board as a whole have reviewed the full Annual Report and Financial Statements, the Audit Committee have reviewed and approved the Annual Report and Financial Statements and considered a report from the Finance Director on the areas that the Directors should take into account in making the statement.

Strategic report approval

The strategic report, outlined on pages 03 to 18, incorporates the Chairman's statement, property and finance review, principal risks and uncertainties, and corporate and social responsibility.

By order of the Board

David Wooldridge
Company Secretary
7 September 2015

Pictured above: Nexus Point, Birmingham

Governance

Chairman's Introduction to Governance

Rupert Mucklow
Chairman

Dear Shareholder,

This section of the annual report sets out the Group's approach to corporate governance and how it is implemented.

The Board is responsible for promoting the long-term success of the Group, taking into account the interests of our shareholders, customers and other stakeholders.

As Chairman I am responsible for the efficient and effective operation of the Board and to ensure that high standards of governance are upheld. Our flat management structure, small team and high degree of involvement by the executive directors ensure that good governance extends beyond the boardroom and that decisions are made at the appropriate level within the organisation.

The Audit and Remuneration Committees have had an increased workload in the 2015 financial year, as the Group seeks to move towards compliance with auditor rotation and fee restriction limits and remuneration changes in the 2014 UK Corporate Governance Code.

The Audit Committee have considered how the Group should progress towards evolving market practice. As set out in their report on pages 27 to 30, the external audit has been tendered and a new auditor is being proposed at the AGM. Deloitte LLP were not asked to participate in the tender, as they will remain as the Group's tax advisers.

Directors' remuneration remains an area of focus for many stakeholders. The Remuneration Committee have considered the implications of the 2014 UK Corporate Governance Code and decided to bring forward the renewal of the Group's Performance Share Plan so that our remuneration policy moves towards best practice, particularly in relation to malus and clawback, as well as introducing holding periods for awards under the Performance Share Plan. Full details are provided in the Board Report on Directors' Remuneration on pages 31 to 50 of this annual report.

I look forward to meeting you at our annual general meeting on Tuesday 10 November 2015.

Rupert Mucklow
Chairman
7 September 2015

Board of Directors

Rupert Mucklow BSc
Chairman‡

Aged 52

Joined the Group in 1990. Rupert was appointed as an executive director in 1995, Managing Director in 1996, Deputy Chairman in 2001 and Executive Chairman in 2004. He acts as Chairman of the Nomination Committee.

Justin Parker BSc FRICS
Managing Director

Aged 50

Joined the Group as Managing Director in 2004. Justin was previously National Head of Investment at DTZ Debenham Tie Leung.

David Wooldridge FCCA ACIS
Finance Director

Aged 43

Joined the Group in 1996. David was appointed as Company Secretary in 2002 and Finance Director in 2007.

Paul Ludlow
Senior Independent Non-Executive*†‡

Aged 69

Appointed to the Board in 2007. Paul was Managing Director of Severn Trent Property Ltd until the sale of the business to ProLogis.

Stephen Gilmore LLB
Independent Non-Executive*†‡

Aged 60

Appointed to the Board in 2008. Stephen is a qualified solicitor, who was previously partner in charge of the Birmingham office of Cobbetts LLP. Chairman of the Remuneration Committee.

Jock Lennox LLB CA
Independent Non-Executive*†‡

Aged 59

Appointed to the Board in 2010. A non-executive director at Enquest plc, Hill & Smith Holdings plc, Oxford Instruments plc, Dixons Carphone plc and a trustee of the Tall Ships Youth Trust. Jock was formerly a Partner of Ernst & Young where he began his career in 1977, becoming a Partner in 1988. Chairman of the Audit Committee.

* Member of the Remuneration Committee.
† Member of the Audit Committee.
‡ Member of the Nomination Committee.

Professional Advisers

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Website: www.mucklow.com
Company No. 717658

Auditor and tax adviser
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Four Brindleyplace
Birmingham, B1 2HZ

Stockbrokers
Arden Partners plc
Arden House
Highfield Road
Edgbaston
Birmingham, B15 3DU

Stifel Nicolaus Europe Limited
150 Cheapside
London, EC2V 6ET

Bankers
HSBC Bank plc
120 Edmund Street
Birmingham, B3 2QZ

Lloyds Bank Commercial Banking
125 Colmore Row
Birmingham, B3 3SF

Corporate Advisers
Arden Partners plc
125 Old Broad Street
London, EC2N 1AR

Property Valuers
DTZ Debenham Tie Leung Limited*
No.1 Colmore Square
Birmingham, B4 6AJ

* With effect from 1 September 2015, DTZ and Cushman & Wakefield have combined under the new common brand of Cushman & Wakefield

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU

Solicitors
Wragge Lawrence Graham & Co LLP
Two Snowhill
Birmingham, B4 6WR

Pinsent Masons LLP
3 Colmore Circus
Birmingham, B4 6BH

Senior Management

David Folkes MCIOB
Residential Land/Development

Stuart Haydon MRICS
Portfolio Manager

Gemma Lane ACMA CGMA
Company Accountant

David Tuft
Property Manager

Mark Vernon MRICS
Investment

Statement of Corporate Governance

UK Corporate Governance Code

The Company has complied with the Code provisions set out in the 2012 UK Corporate Governance Code throughout the year ended 30 June 2015. The UK Corporate Governance Code is publicly available at www.frc.org.uk.

The Company has applied the principles set out in the Code, including both the main principles and supporting principles, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below.

The Board is working towards compliance with the 2014 UK Corporate Governance Code ("the 2014 Code") and will report on compliance in the 2016 annual report. The Board Report on Directors' Remuneration on pages 31 to 50 sets out details of the steps the Remuneration Committee is taking to amend the terms of the Group's Performance Share Plan to comply with the 2014 Code. Shareholder approval for those changes is being sought at the Annual General Meeting in November. The Board is considering the more forward-looking going concern statement and the viability statement, with the support of the Audit Committee and the external auditor, and risk management.

The Board

For the whole of the year under review, the Board comprised three executive directors: Rupert Mucklow (Chairman), Justin Parker (Managing Director) and David Wooldridge (Finance Director), and three non-executive directors: Paul Ludlow (Senior Independent Non-Executive), Stephen Gilmore and Jock Lennox.

The Board of directors is responsible to Shareholders for the management and control of the Company. The Board operates within agreed matters reserved for its approval, which cover the key areas of the Group's affairs, including:

- all aspects of strategy;
- material property acquisitions;
- disposals; and
- financing arrangements.

The roles and responsibilities of the Chairman and Managing Director are defined in writing, with the Chairman responsible for the administration of the Board, whilst the Managing Director co-ordinates the Group's business and implements strategy. The terms and conditions of the non-executive directors are available for inspection at the Company's office during normal working hours.

Board meetings are held eleven times a year and each Board member is provided with a report pack which contains financial and operational information. The Board is responsible for agreeing the major matters affecting the running of the business, as well as monitoring and reviewing performance and operating risks.

A key area of consideration for the Group is the independence of non-executive directors. The Board has considered the Code's indicators of a lack of independence for non-executive directors and, as previously stated, all of the Group's non-executive directors are considered to be independent for the reasons stated below.

Paul Ludlow was appointed as a non-executive director on 1 March 2007. The Board has considered Mr Ludlow's position and the fact that he has had no previous involvement with the Group and confirms that he is independent.

Stephen Gilmore was appointed as a non-executive director on 13 May 2008. The Board has considered Mr Gilmore's position and the fact that he has had no previous involvement with the Group and confirms that he is independent.

Jock Lennox was appointed to the Board on 1 December 2010. The Board has considered Mr Lennox's position and the fact that he has had no previous involvement with the Group, and confirms that he is independent.

The Board has annual performance appraisals. The Board as a whole consider its performance and the performance of its subcommittees. The Chairman carries out the review of the non-executive directors, the non-executives review the Chairman, and the Chairman and non-executives review the remaining executive directors. The questions set out in the Higgs guidance are considered, where relevant to the Group. The Chairman confirms that, where applicable, any non-executive director seeking re-election is considered to be effective in their role and to be committed to making available the appropriate time for Board meetings and other duties. As part of the annual performance appraisal process, the training needs for the Board members are considered and, where necessary, acted upon.

All directors are required to submit themselves for re-election every three years, or at the first Annual General Meeting following their appointment.

Justin Parker is seeking re-election as a director at the 2015 Annual General Meeting.

Justin Parker (50), Managing Director, joined the Group as Managing Director in 2004. He was previously Head of Investment at DTZ Debenham Tie Leung.

All directors have access to the advice and services of the Company Secretary and there are procedures in place for a director to obtain independent professional advice, where necessary, at the Company's expense.

David Wooldridge acts as Finance Director and Company Secretary for the Group. Given the size of the Group, it is not considered necessary or cost-effective to split the roles of Finance Director and Company Secretary.

Statement of Corporate Governance continued

The attendance of the directors at scheduled Board meetings during the year ended 30 June 2015 is as follows:

Number held	Board	Audit	Remuneration	Nomination
Rupert Mucklow	11/11	n/a	n/a	0/0
Justin Parker	11/11	n/a	n/a	n/a
David Wooldridge	11/11	n/a	n/a	n/a
Paul Ludlow	11/11	4/4	3/3	0/0
Stephen Gilmore	11/11	4/4	3/3	0/0
Jock Lennox	10/11	4/4	3/3	0/0

n/a indicates not a member of that committee.

Board Committees

The Board has three subcommittees, the Audit Committee, the Remuneration Committee and the Nomination Committee. Jock Lennox acts as Chairman of the Audit Committee and Stephen Gilmore acts as Chairman of the Remuneration Committee. Rupert Mucklow (Group Chairman) acts as Chairman of the Nomination Committee.

Written terms of reference have been agreed for each of these committees, and these are available on request from the Company Secretary or from the Company's website (www.mucklow.com).

Audit Committee

Jock Lennox has been designated as the member of the Audit Committee with recent and relevant financial experience, being a chartered accountant and former partner of Ernst & Young. He is also chair of the audit committees of Dixons Carphone plc, Enquest plc, Hill & Smith Holdings plc and Oxford Instruments plc.

The role and composition of the Audit Committee and details of the work performed during the year are set out in the Audit Committee Report on pages 27 to 30.

The Company believes the Committee contains the right balance of skill, knowledge and experience to support the business in achieving its strategy.

Remuneration Committee

The Remuneration Committee comprised Stephen Gilmore (Chairman), Paul Ludlow (Senior Independent Non-Executive) and Jock Lennox for the year ended 30 June 2015. The Remuneration Committee consists of non-executive directors, whose remuneration is decided by the executive directors.

The Remuneration Committee measures the performance of the executive directors and key members of senior management before recommending their annual remuneration.

The Committee consults the Chairman and Managing Director about its proposals and has access to professional advice from inside and outside the organisation.

The Board Report on Directors' Remuneration is set out on pages 31 to 50.

Nomination Committee

The Nomination Committee comprised Rupert Mucklow (Group Chairman), Paul Ludlow (Senior Independent Non-Executive), Stephen Gilmore and Jock Lennox for the 2015 financial year.

The Committee normally holds meetings when requested by the Chairman of the Committee.

The Committee is responsible for:

- Reviewing changes to the Board and making recommendations to the Board, including succession planning;
- Considering the most appropriate method of recruitment for new Board members; and
- Any other work set by the Board of directors.

The Committee has access to external professional advisers (legal or otherwise), where required to fulfil its responsibilities listed above.

The Nomination Committee is conscious of the increased focus on diversity in the boardroom. The Board acknowledges the importance of diversity, but notes that changes to the composition of the Board should not be forced. When future appointments to the Board are considered, as part of the gradual refreshing of the Board, the Nomination Committee believes that the best person for the role should be selected, whilst recognising the benefits of diversity when considering a particular appointment.

Shareholders

The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received either orally or in writing. All Shareholders have at least 20 working days' notice of the Annual General Meeting where all directors and committee members intend to be available to answer questions.

At the Annual General Meeting all votes are dealt with on a show of hands and the level of proxy votes is indicated. Votes on separate issues are proposed as separate resolutions.

Shareholders have access to the preliminary press announcement which is issued through the Company website, www.mucklow.com.

The Chairman and Finance Director regularly update the Board with the views of shareholders and analysts.

Conflicts of interest

The Company's Articles of Association allow the Board to authorise potential conflicts of interest that may arise, subject to imposing limits or conditions when giving authorisation or subsequently if they think this is appropriate. Only independent directors (in other words those who have no interest in the matter being considered) will be able to take the relevant decision and, in taking the decision, the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success.

Procedures have been established to monitor actual and potential conflicts of interest on a regular basis, and the Board is satisfied that these procedures are working effectively.

Internal control

The Board is responsible for the system of internal control and the review of its effectiveness.

The Board has an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The process has been in place throughout the current year and up to the date of approval of this annual report and financial statements. The process is regularly reviewed by the Board, based on reports from management, and accords with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull working party.

Key features of the system of internal control include:

- The executive directors' close involvement in all aspects of the day-to-day operations of the business, including regular meetings with senior management to review all aspects of the business;
- A detailed authorisation process and formal delegation of authority;
- A comprehensive financial reporting and forecasting system;
- A formal whistleblowing policy;
- Defined schedule of matters reserved for the Board; and
- Twice yearly internal controls meetings of the Board, to discuss the effectiveness of internal controls and formally consider business risks. Issues are also raised at monthly Board meetings as appropriate.

Group strategy is regularly reviewed at the monthly Board meetings and progress on developments is reported at each Board meeting.

The Board has considered the requirements of the Bribery Act 2010 and has taken steps to ensure that it has adequate procedures in conformity with the requirements as set out by the Act. The Group's policies have been communicated to all employees through the Employee Handbook and relevant employees have received external training.

The Board does not allow facilitation payments.

Responsibility for the Group's bribery prevention policies rests with the Group Board, with Justin Parker (Managing Director) taking on day-to-day responsibility.

Steps are being taken to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

No internal audit function is considered necessary because of the size of the Group and the systems and procedures already in place. The need for an internal audit function is reviewed annually.

Statement on internal control

The directors are responsible for the system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

The Board has reviewed the effectiveness of the system of internal control for the financial year and the period to the date of approval of the financial statements and confirms that it has not been advised of any failings or weaknesses which it regards to be significant. The key control procedures are described under the following six headings.

1. Financial reporting

The Group operates a budgetary system with annual rolling budgets containing monthly income statement, balance sheet and cash flow information. The preparation of these budgets incorporates a review of the commercial and other risks facing the Group together with the identification of the key performance indicators to be used by management in monitoring the Group's financial activities and managing the commercial risks faced by the Group. Actual performance against budget is monitored monthly at main Board meetings using the established performance indicators and exception reporting.

Statement of Corporate Governance continued

2. Quality and integrity of personnel
The Group recognises the importance of the quality and integrity of its personnel and attention is paid to the experience and capabilities of staff and their training needs. The standards of employee conduct expected by the Group are formally documented and communicated.

3. Operating unit controls
The Group has a comparatively simple operating structure which comprises four investment companies and a trading company. The subsidiary companies are all based in one location, which is at the Registered Office, and conform to the same reporting and control requirements as the Group.

4. Computer systems
The Group is reliant on an effective computer system to operate its business. The system that it uses is both modern and simple, being a file server based network which operates 20 PCs. The principal operating software is provided by Qube, a leading supplier of generic software to the property management industry. It is fully integrated which provides comfort on the integrity of data transfer between the accounts and property management suites. The Group has a contingency plan in place to cater for complete loss or failure of its own data processing facility and has taken the necessary steps to ensure the security of data on the network.

5. Controls over central functions
The implementation and day-to-day operation of the control procedures is the responsibility of the executive directors and senior management. Given the nature and size of the Group's business, the executive directors review and approve all significant transactions, particularly those relating to property purchases and sales, capital expenditure and borrowing arrangements.

The Group uses external managing agents on its property portfolio and the terms of their contracts and performance are regularly reviewed.

6. Role of the executive directors
Day-to-day management of the Group's activities is delegated by the Board to the executive directors. All operating units report to the executive directors. They monitor the effectiveness of operations and report to the monthly Board meetings.

Audit Committee Report

Jock Lennox
Chairman, Audit Committee

Dear Shareholder,

Welcome to the Report of the Audit Committee.

Throughout the year the Committee has consisted of the three independent non-executive directors, including me as Chairman.

The Committee meets regularly during the year to monitor the integrity of the Group's financial statements and is also responsible for the appointment, review of performance and independence of the external auditor.

The Audit Committee considered the evolving position on auditor rotation and restrictions on the level of non-audit fees during the year under review. As it was considered likely that audit and tax services will need to be provided by different firms, the Audit Committee decided to retain Deloitte LLP as the Group's tax advisers and therefore tendered the external audit to coincide with the current audit partner's rotation off the Mucklow audit at the end of the 2015 financial year.

As detailed in the Audit Committee report, KPMG LLP have been chosen to succeed Deloitte LLP as external auditor in October 2015 and a resolution to confirm their appointment is being proposed at the November 2015 Annual General Meeting.

On behalf of the Committee and the Board, I would like to thank Deloitte LLP for their services to the Group as external auditor.

Jock Lennox
Chairman of the Audit Committee
7 September 2015

Audit Committee Report continued

Composition of the Audit Committee

The Audit Committee comprised Jock Lennox, Paul Ludlow and Stephen Gilmore for the year under review.

Responsibilities

- To monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- To advise the Board on whether the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model, strategy and risks;
- To monitor and review the effectiveness of the Company's internal control environment and the processes in place to monitor this, including reviewing the need for an internal audit function;
- To make recommendations to the Board, for it to be put to shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and
- To ensure appropriate safeguards are in place for individuals to raise issues with the Board where a breach of conduct or compliance is suspected through the Group's whistleblowing policy.

Meetings

The Audit Committee meets at least three times a year; in September to consider the annual report and preliminary announcement and external audit findings, in February to consider the interim report and interim announcement and external review findings, and in May to plan for the financial year ahead. Any other matters, including internal controls, are considered as and when necessary.

Meetings are attended by the Committee members and the external auditor, as well as, by invitation, the executive directors. The attendance of the Committee members is shown on page 24.

The Committee allow time to speak with the external auditors without the executive management present at the end of each meeting.

2015 principal activities

- Reviewing the preliminary announcement, annual report and the interim report. As part of these reviews the Committee received a report from the external auditor on their audit of the annual report and financial statements and review of the interim report;
- Reviewing and agreeing the scope of the statutory audit work and any additional assurance work to be undertaken;
- Agreeing the fees to be paid to the external auditor;
- Gaining assurance around the external valuation of the property portfolio and the independence of the valuers;
- Reviewing the need for an internal audit function; and
- Reviewing the appointment of the external auditor as auditor and tax advisers; and considering the appointment of a new external auditor.

Primary areas of judgement in relation to the 2015 Annual Report and Financial Statements

The Committee considers the significant judgements made in the Annual Report and Financial Statements and receives reports from management and the external auditor on those judgements. The Committee pays particular attention to the matters it considers to be important by virtue of size, potential impact, complexity and level of judgement.

Property valuation

The valuation of the Group's property portfolio, £349.7m at 30 June 2015, is fundamental to the Group's balance sheet and reported results. The external auditor meets with the valuer separately from the Audit Committee, using real estate specialists where applicable, and reports back to the Committee on their review. The Committee also gains comfort from the valuer's methodology, receives commentary from management and other supporting market information. Members of the Committee attend the meeting of the valuer and external auditor on a regular basis.

Covenant compliance

Although covenant compliance is a matter for the whole Board, and the Group remains lowly geared at 26%, the Committee consider reports by management to support the Group's going concern statement in financial reports, which include covenant headroom, sensitivity analysis, undrawn facilities and forecasts. The external auditor shares their review of these papers and the assumptions with the Committee.

The Committee was satisfied that both of the issues had been fully and adequately considered and addressed and that the judgements made were appropriate. The Audit Committee debated the issues with the external auditor, who had concurred with the judgement of management.

Risk management

The whole Board reviews internal controls and further details are included in the Governance Report on page 25.

A summary of the key risks and uncertainties to which the business is exposed is set out on page 15.

Internal audit

No internal audit function is considered necessary because of the size of the Group, the close involvement of the executive Directors with the day to day operations of the Group and the systems and procedures already in place. The need for an internal audit function is reviewed annually.

The external audit, review of its effectiveness, non-audit services and auditor reappointment

The Audit Committee annually reviews the level of effectiveness of the external auditor, audit and non-audit fees paid to Deloitte LLP and the internal independence policies of Deloitte LLP. The Committee does not consider that there is any risk to the independence or objectivity of the audit.

The review of the 2014 external audit was conducted internally. The Committee agreed a framework to assess the effectiveness of the audit approach and considered the views of the finance team. Following this review, the Committee were satisfied that the external auditor, Deloitte, continued to perform effectively.

Non-audit fees paid to Deloitte LLP in respect of the financial year ended 30 June 2015, being taxation compliance and advisory fees, represent 47% of the audit fee (including the half-year review).

The Audit Committee reviews the appointment of the external auditor, as well as their relationship with the Group, including monitoring the Group's use of the auditor for non-audit services and the balance of audit and non-audit fees paid to the auditor.

A non-audit fee policy has been adopted by the Audit Committee, who consider the appointment of the external Auditor for non-audit work, after taking into account their suitability to perform the services, the potential impact on their independence and objectivity and the relationship of non-audit to audit fees.

Given the external Auditor's detailed knowledge of the structure and history of the organisation, certain services provided by them, subject to the amount of fee involved, are not considered to impair the external auditor's independence or objectivity. Services included in this category are: accounting advice; due diligence in connection with proposed acquisitions, disposals or corporate transactions; tax compliance and advisory; reporting accountant work; compliance and regulatory certificates; and minor projects, where the fee involved will not exceed £10,000.

Where the fee for any of the services included above exceeds £10,000, the consent of the Audit Committee will be required in advance of appointment.

The Committee will not normally allow the external auditor to be used for any of the following services to the Group: compiling accounting records; internal audit services; IT consultancy; Remuneration Committee advice; valuation work (including Deloitte Real Estate); and work on internal controls.

As noted below, the Audit Committee decided to tender the external audit in order to separate tax and audit services to comply with emerging best practice. The Group's non-audit fee policy will be updated once the full scope of the audit market reforms is known. With effect from the financial year commencing on 1 July 2015 the Audit Committee adopted an overall limit on non-audit fees paid to the external auditor of 70% of audit fees in respect of each financial year. Where there are any doubts as to whether the external auditor has a conflict of interest, Audit Committee approval will be required in advance of the engagement. Where the total of non-audit fees payable to the external auditor in any financial year is expected to exceed 50% of the audit fee, the Audit Committee Chairman will be required to approve each additional project in advance.

Deloitte LLP were appointed as the Company's auditor for the year ending 30 June 1996 and were reappointed following a tender in 2007. The external auditor is required to rotate the audit partner responsible for the Group and subsidiary audits every five years. The lead audit partner for the 30 June 2010 audit had been in place for five years. A new audit partner took over for the 2011 year-end.

Audit Committee Report continued

During the year under review the Audit Committee reviewed the appointment of Deloitte LLP as external auditor and tax advisor in light of the mandatory rotation requirements and restrictions on non-audit fees.

The Audit Committee agreed with management's recommendations that Deloitte LLP be retained as the Group's tax advisors. It was therefore decided that the external audit would be put to tender to coincide with the rotation of the current auditor, who was due to step away after completing the 30 June 2015 year end audit.

Due to the decision to retain Deloitte LLP as tax advisors, Deloitte LLP were not asked to participate in the audit tender.

The Audit Committee reviewed the external accounting firms that had significant involvement in the Real Estate Investment Trust sector and highlighted four firms (excluding the incumbent) as potential auditors. After an information gathering exercise the Audit Committee agreed a shortlist of these audit firms to consider. Request for proposals were sent to the three firms and their proposal documents were considered by the Audit Committee and initial meetings were held with the tender parties to consider the documents.

The Audit Committee reflected on the meetings and the proposals and decided to recommend KPMG LLP to the Group Board as external auditor, to take effect from October 2015.

The Group Board noted the Audit Committee's recommendation and accepted their recommendations.

KPMG LLP have signified their willingness to be appointed as the Group's external auditors and ordinary resolutions reappointing them as auditor and authorising the Audit Committee to set their remuneration will be proposed at the 2015 Annual General Meeting.

There are no contractual obligations restricting the Group's choice of external auditor.

As Audit Committee Chairman, I have had regular contact with the current external audit partner outside of committee meetings and without management present to discuss matters relevant to the Group. I will continue to have ongoing dialogue with the KPMG audit partner on the same basis.

Whistleblowing

The Audit Committee reviews arrangements by which employees may in confidence raise concerns, which are detailed in the Company's Employee Handbook. He or she is able to contact the company secretary, managing director or the chairman of the Audit Committee.

Board Report on Directors' Remuneration

Stephen Gilmore
Committee Chairman

Annual Statement

Dear Shareholder,

This is my third letter to shareholders in my capacity as chairman of the Remuneration Committee; they do not appear to be getting any shorter, for which I apologise.

As you will note from what follows, this has been another very active year for the Remuneration Committee, mainly because (contrary to what I suggested in my letter to you last year would happen), we have brought forward the process of replacement of the performance share plan adopted in 2007 (**2007 LTIP**). As a result, shareholders will be asked to approve the adoption of a new performance share plan (**2015 PSP**) at the forthcoming Annual General Meeting (**AGM**). The reasons for doing so are set out later in this letter.

Normally the Company Remuneration Policy requires shareholder approval every 3 years; our current policy was approved for the first time at the 2014 AGM. As a consequence of the proposal to adopt the 2015 PSP, shareholders are being treated to a second opportunity to vote on the Remuneration Policy at the AGM. The reason for this is that the adoption of the 2015 PSP (if approved) changes the Company Remuneration Policy, requiring the approval of shareholders. If the adoption of the 2015 PSP is not approved by shareholders, the 2007 LTIP will continue in operation until its expiry. The last date that options can be granted under the 2007 LTIP would be 13 November 2017 and, subject to meeting performance criteria, they would be exercisable from 2020. If the adoption of the 2015 PSP is approved at the AGM, options granted under the 2007 LTIP will continue to be capable of vesting, but no further options will be granted under the 2007 LTIP.

This year we have also taken the opportunity to update the Executive Directors' service agreements, giving the Company additional rights in certain key areas. Shareholders are not requested to approve the changes to Executive Directors' service agreements, but I have taken the opportunity to set out below a couple of the areas in which the Company's position is strengthened as a result of these changes. The Executive Directors' service agreements are available for inspection at the Company's registered office, and will be available for inspection at the AGM.

In addition to the adoption of the 2015 PSP and changes to the Executive Directors' service agreements, we have also decided to increase, from 100% to 200% of base salary, the Remuneration Committee's expectation of the value of shares in the Company held by Executive Directors. As has been our past practice, this holding is to be built up over a reasonable period of time. It is our expectation that Executive Directors will sell sufficient of the shares that they acquire under the 2007 LTIP (or the 2015 PSP if adopted) to meet costs of acquisition and taxation relating to the acquisition of the shares, and retain at least 25% of the gross award of shares as part of the process of building their shareholding in the Company.

The level of support for both our Remuneration Policy and the Remuneration Report are possibly the most overt demonstration of shareholder satisfaction with the performance of the executive team. The vote on last year's Remuneration Policy and Remuneration Report were gratifyingly positive and I hope that the AGM will produce similar results as well as approving the proposal for adopting the 2015 PSP.

Ethos

Our shareholders expect the Company to deliver consistent and sustainable returns and the Company consistently meets that expectation. We intend to continue to do so. To support that endeavour, our Remuneration Policy must satisfy two principal objectives: first, it must facilitate the recruitment and retention of executives of sufficient calibre and secondly it must align the performance-related part of executive remuneration with shareholder interests. To that end, the performance-related element of executive remuneration has been and will continue to be focused almost wholly upon a performance based share plan. We propose that the 2007 LTIP should be replaced with the 2015 PSP at the AGM. Awards under both the 2007 LTIP and the 2015 PSP seek to measure the Company's performance over a three year rolling cycle when compared with similar listed companies.

Board Report on Directors' Remuneration continued

Participating executives benefit from performance based share plans only if shareholders benefit. Furthermore executives are incentivised to remain employed by the Company to harvest the rewards of their efforts over the three year period.

Last year I commented on the significant level of benefit derived from the 2007 LTIP by the 2 Executive Directors who participate in it. This year that level of benefit has reduced by around 50%, due mainly to the decline in position of the Company in the comparator group for Total Shareholder Return (TSR). This was an inevitable consequence of the combination of 2 factors: first the recovery of other companies within the comparator group which were starting from a relatively low base level and which therefore delivered much higher TSRs over the period, and secondly a smaller difference between the share price at date of grant and the share price at date of exercise when compared with last year. This is illustrated by the table on page 45. It is one of the anomalies of the arrangement that in a very good year for the Company, it is possible for the participating executives to be rewarded quite modestly, or even not at all, due to the relative performance of other companies within the comparator group. Be that as it may, it is the view of the Remuneration Committee that, over all, the operation of the 2007 LTIP has been fair. The 2015 PSP, if adopted, will continue to operate on a similar basis but with modifications to bring it into line with corporate governance requirements and market practice for similar companies.

I make no apology for repeating what I said last year about cash bonuses: the Remuneration Committee remains of the view that annual cash bonuses do not contribute to the alignment of executive and shareholder interests. Annual bonus payments are based upon short-term metrics, whereas the Company's revenues are mainly derived from long-term investment and development. Nevertheless, as the Company retains the discretion to award annual cash bonuses, the statutory requirements applicable to the Remuneration Report mean that it has a number of references to the "Annual Cash Bonus Plan". The reality is that such bonuses have not been paid for many years. The maximum benefit table on page 42 records theoretical maximum amounts payable to Executive Directors which, because of our approach to cash bonuses, are very unlikely to be paid. I remain of the view that it is unlikely that circumstances would arise in which the Remuneration Committee would exercise its discretion to pay cash bonuses.

In summary, the performance related element of the Remuneration Policy focuses on those matters which the Executive Directors are able to control and which deliver shareholder value through dividend growth. These remain prudent investment in new properties, investment in the improvement of our existing portfolio and pre-let development of new properties. All these contribute to medium term enhancement of shareholder value. We expect executives to benefit from this enhancement through participation in the 2007 LTIP, the 2015 PSP (if adopted), and the increase in value of their existing holdings of shares in the Company.

Policy

There are two principal elements to Executive Director remuneration, namely the pay and benefits package and the 2007 LTIP, which (as mentioned above) we hope to replace with the 2015 PSP following shareholder approval at the AGM.

Pay and benefits

It is important to shareholders that the pay and benefits package is sufficient to attract and retain the high quality Executive Director team that is necessary to deliver the performance required of them by the Company. We last benchmarked Executive Director remuneration packages against comparable businesses in 2010 when they were independently reviewed by remuneration consultants.

Executive Directors' basic remuneration was increased, by 3%, in 2014/15 in line with the increase in Ordinary dividend.

There are statutory limits on annual pension contributions and overall individual pension fund values. The Company's policy in circumstances where an Executive Director is affected by these limits is to make a payment to the Director concerned in lieu of their contractual pension contribution. The payment (net of employer's National Insurance contributions) will not exceed the amount that would have been paid into the pension scheme, so the cost to the Company is neutral.

The details of each Executive Director's pay and benefits package is set out at page 45. The Remuneration Committee believes that the Executive Directors' pay and benefits packages reflect market conditions and are appropriate to the Company's FTSE position.

Proposed replacement of 2007 LTIP with the new 2015 PSP

The UK Corporate Governance Code (**Code**) requires that there should be an appropriate balance between fixed and performance related, immediate and deferred remuneration. The Company currently meets this expectation through the 2007 LTIP and will in future (subject to its adoption being approved at the AGM) meet it through the 2015 PSP.

In accordance with amendments made to the Code in September 2014, the 2007 LTIP had become non-compliant with the Code in that it did not contain a specific provision for reduction or cancellation of unexercised options or claw back of shares acquired via the 2007 LTIP in appropriate circumstances, such as accounting misstatement, reputational damage to the Group or error in calculation of the award. Accordingly, the Company was faced with either varying the 2007 LTIP to make it compliant, explaining to shareholders why it was felt to be appropriate to leave it in a non-compliant state, or adopting a new performance share plan. Given the overwhelming support for the 2007 LTIP from shareholders which had informed our decision to propose that a new performance share plan should be adopted next year, the Remuneration Committee concluded that the most prudent and economical way to proceed was to bring forward the adoption of a replacement performance based share plan to the 2015 AGM.

Also, in accordance with the Code, the rules of the new 2015 PSP will also introduce the operation of a "holding period" of two years, following the end of the three year performance period. The holding period will apply to options awarded to Executive Directors, such that options will not normally vest and become exercisable for five years from the grant date (rather than three years under the 2007 LTIP). Options can be reduced or cancelled (as set out above) at any time during this five year period. This change brings the rules of the 2015 PSP in line with developing best practice.

The 2015 PSP builds substantially on the 2007 LTIP but incorporates the elements required to bring it into compliance with the Code. The table below compares the operation of the 2007 LTIP with the proposed 2015 PSP.

2007 LTIP	2015 PSP
An executive is granted an option to subscribe for shares at nominal value (25p per share).	No change.
The number of shares comprised in each option is determined by reference to the market value of shares when the option is granted. Shares equal in value to up to 75% of the executive's base salary calculated using the market value of the shares may be subject to the option.	No change.
3 years later, if performance criteria are met, the option becomes exercisable in respect of some or all of the shares comprised in the option, the exact number depending upon the level of performance. Performance is determined by the Company's position within the comparator group of companies, ranked by total shareholder return over the preceding 3 years.	The performance criteria are measured over the same 3 year period. However, the Remuneration Committee can (and in the case of Executive Directors will normally) impose a "holding period" for a further period of 2 years immediately following the end of the performance period. If a holding period applies, options may not be exercised until the end of the holding period. The Remuneration Committee may (in the event inter alia of wrongdoing on the part of the relevant executive) reduce the number of shares over which the option may be exercised, or even cancel the option in its entirety during the period from when the option is granted to the end of the holding period or, if no holding period applies, the fifth anniversary of the grant date. Shares under option which are subject to the holding period earn a cash-or-shares payment equivalent to the dividends that would have been earned had the option been exercised at the end of the 3 year performance period, and will also count towards the relevant Executive Director's targeted shareholding in the Company.

Board Report on Directors' Remuneration continued

2007 LTIP	2015 PSP
The number of shares over which the option can be exercised is calculated on a sliding scale from 20% where the performance is at the median of the comparator group, up to 100% if the performance is in the top decile of the comparator group. Options are normally exercised within a short period of vesting, and will lapse if they have not been exercised by the tenth anniversary of the grant date.	The bottom of the scale remains unaltered at median performance, but the option can be exercised over 100% of the shares if the performance is in the top quartile, (as opposed to the top decile), of the comparator group.
In addition to assessing the position of the Company within the comparator group when allowing options to be exercised, the Remuneration Committee also has to be satisfied that the Company has achieved sound underlying financial performance over the performance period.	No change.
The 2007 PSP is subject to the following limits: • in any ten year period, the number of shares which may be issued under the 2007 PSP together with the number of shares issued under any other discretionary share plan may not exceed 5% of the issued ordinary share capital of the Company; and • in any ten year period, the number of shares which may be issued under the 2007 PSP together with any other employees' share plan may not exceed 10% of the issued ordinary share capital of the Company.	No change.
It is anticipated that executives will sell enough of the shares resulting from their options to pay the subscription price and taxes associated with the exercise of the option, but otherwise they are expected to retain at least 25% of the shares. Executive Directors are expected to build up a shareholding in the Company equivalent in value to their basic salary.	Executive Directors are now expected to build up a shareholding in the Company equivalent in value to twice their basic salary.

The only provision in the 2015 PSP which may be thought to be materially more beneficial to the participants than the equivalent provision in the 2007 LTIP, is the provision allowing for 100% vesting of awards if the performance of the Company over the performance period is in the top quartile, as opposed to decile, of the comparator group. The reason behind this is the size of the comparator group. When the 2007 LTIP was adopted, there were 42 companies within the comparator group (which was the FTSE Real Estate Sector), but when the Remuneration Committee decided to replace the comparator group with the FTSE EPRA/NAREIT UK Index this reduced to 14 companies at the time of the last vesting in November 2014. It will be readily understood from that that the Company would have to be first in the comparator group for a participant to earn the maximum award. Whilst the Code requires performance-related elements of remuneration to be "stretching", that takes it to an extreme, and accordingly the Remuneration Committee determined that achieving top quartile performance ought to be sufficiently good performance to merit vesting of the full award.

The adoption of the 2015 PSP is intended to achieve the following objectives:

1. the replacement of the 2007 LTIP which would have reached the end of its term in 2017 and which has served the Company well;
2. the incorporation into the Company's performance related remuneration arrangements provision for clawback of shares/cash or reduction/cancellation of options in appropriate circumstances;
3. the introduction of a two year holding period, following the three year performance period, in line with developing best practice and to facilitate the operation of clawback, reduction or cancellation of options throughout the holding period;

4. avoiding making piecemeal changes to the 2007 LTIP which would have been necessary to ensure its compliance with regulatory requirements and developing best practice; and
5. generally to bring the performance related remuneration arrangements into line with current practice and the requirements of the Code.

Executive Directors' Service Agreements

Executive Service Agreements have not been revised for a number of years, so this year the Remuneration Committee decided that it would be opportune to ask the Executive Directors to enter into new Service Agreements which are intended to strengthen the Company's position. The main changes to the service agreements are as follows:

1. Any payment made in lieu of notice may, at the Company's discretion, be made in monthly instalments in what would have been the notice period. The Executive Director is under an obligation during that period to mitigate his loss by maximising his earnings from other employment sources and any such earnings will be deducted from the amount paid to him by the Company.
2. The Company has the right to recover payments made to the Executive Director in respect of termination of employment in certain circumstances where wrongdoing by the Executive Director is discovered.

In addition, the Executive Directors' Service Agreements have been generally updated to bring them into line with current practice.

All Executive Directors have signed their revised service agreements.

Other work of the Remuneration Committee

As well as determining the pay and benefits packages of the Executive Directors and approving the making and vesting awards under the 2007 LTIP, the Remuneration Committee offers guidance to the Executive Directors in relation to pay policy within the Company generally.

Non-Executive Directors' remuneration

The remuneration of the Non-Executive Directors is determined by the Executive Directors and is not a matter dealt with by the Remuneration Committee, although it is covered in the Remuneration Report. During the year Non-Executive Directors' remuneration was increased by 3% in line with the remuneration of other employees of the Company.

The future

Having been through a period of considerable change in relation to executive remuneration over the past couple of years, I believe that major regulatory changes in this area are behind us for the time being. On the assumption it is adopted, I anticipate the next year will be a period of bedding in the 2015 PSP and continuing the Remuneration Committee's regular activities.

We welcome an open dialogue with our shareholders and I will be happy to receive comments or address queries regarding the Company's Remuneration Policy and the Remuneration Report which appears on the following pages.

Stephen Gilmore
Chairman of the Remuneration Committee
7 September 2015

Board Report on Directors' Remuneration continued

As required by Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the 2013 regulations'), this Director's Remuneration Report is split into two parts:

- The Directors' Remuneration Policy sets out the proposed policy for the three years beginning on the date of the Company's 2015 AGM. Although the Directors' Remuneration Policy was approved at the 2014 AGM with the potential to be operated for three years, due to certain material changes to the PSP a revised Directors' Remuneration Policy will be subject to a binding shareholder vote at the 2015 AGM.
- The Annual Report on Remuneration sets out the payments made and awards granted to the directors over the period 1 July 2014 to 30 June 2015 and how the Company intends to implement the policy in the period 1 July 2015 to 30 June 2016, which, together with the Chairman's Statement, is subject to an advisory shareholder vote.

The regulations require the Auditors to report to the Company's members as to whether in their opinion the part of the Report which requires auditing has been properly prepared in accordance with the Companies Act 2006 as amended by the regulations. Sections that have been audited are marked as such. The remaining information within this Report is unaudited.

Directors' Remuneration Policy

Remuneration principles

The Remuneration Committee (the "**Committee**") follows a number of remuneration principles when developing a remuneration policy for executive directors. These are:

- to provide a competitive remuneration package so as to attract, retain and motivate those individuals and ensure that the Group is managed successfully in the interests of shareholders
- to provide exceptional reward only for exceptional performance
- to align executive directors with shareholders through selecting performance measures that are aligned with the Company's strategic objectives

Remuneration policy is drawn up in accordance with Schedule A of the UK Corporate Governance Code.

Future policy table

A summary of the Company's Directors' Remuneration Policy, for three financial years starting in 2015/16, for directors is shown below. If the Directors' Remuneration Policy is approved at the AGM in November 2015, the approved policy will take effect from the date of the AGM.

The changes to the Directors' Remuneration Policy from that approved at the 2014 AGM are summarised below the policy table.

Element	Purpose & link to strategy	Operation	Maximum opportunity	Performance Conditions
Base Salary	To attract, retain and motivate executives of the calibre required to deliver the Company's strategy and successfully manage the interests of shareholders.	Base salary is paid in cash on a monthly basis and is pensionable. It is reviewed on an individual basis with any increase taking effect from 1 July each year.	Base salaries will be in line with median salary levels in a peer group of similar-sized companies in the property sector in the area in which the Company operates. Any increase will normally be by reference to and in line with the growth in ordinary dividend declared by the Company, inflation and salary increases in the Group as a whole except where there is any change in role or responsibility of the individual.	No performance conditions apply.
Retirement benefits	To provide market competitive retirement benefits.	The Company operates a defined contribution personal pension plan. However, where an executive reaches the lifetime allowance or other cap they are given the option to receive a cash alternative in lieu.	Contributions of 15% of base salary or a cash alternative in lieu are made.	No performance conditions apply.

Board Report on Directors' Remuneration continued

Element	Purpose & link to strategy	Operation	Maximum opportunity	Performance Conditions
Other benefits	To provide market competitive benefits.	The Company provides benefits or a cash alternative in lieu of benefits including: • Company car • Private health care Benefits in kind are not pensionable.	Benefits will be consistent with market practice for similar roles.	No performance conditions apply.
Cash bonus plan	To reward executives for exceptional performance on an infrequent basis.	Bonuses are only paid in exceptional circumstances. They are at the complete discretion of the Committee. If a bonus were to be paid it would be delivered in cash.	All executive directors are eligible to participate in the cash bonus plan. Maximum bonus: 60% of base salary. Threshold payment is nil.	If the Committee resolved to pay a bonus in respect of any year, the following factors would be taken into account: • financial performance in the year • individual performance in the year • successful achievement of long-term strategic objectives

Element	Purpose & link to strategy	Operation	Maximum opportunity	Performance Conditions
2015 Performance Share Plan ("2015 PSP")	To reward executives for delivering the Company's long term strategy and creating sustainable shareholder returns. The use of shares acts as a retention tool and aligns the interests of executives with shareholders.	Grants of nominal priced options are made annually at the discretion of the Committee. Options will not normally vest and be capable of exercise before the end of the three year performance period, and will vest only to the extent that the performance conditions are met. The Committee has the discretion to apply a two-year holding period to options, beginning at the end of the applicable performance period and ending two years thereafter. A holding period will normally apply to options granted to executive directors. A service condition applies during the holding period so that awards do not vest until the end of the holding period. Options are exercisable from the later of the end of the performance period and the end of any holding period (where relevant) once all conditions have been met. Options can then be exercised between that date and the tenth anniversary of the date of grant. Options will be subject to malus and clawback so that they may be amended, reduced, forfeited or subject to repayment on occurrence of certain events (including material misstatement of accounts, material failure of risk management or material reputational damage to the Company) from the date of grant to the date of the end of the holding period (or, if there is no holding period, the fifth anniversary of the date of grant). Participants are not eligible for dividend equivalents in respect of the performance period but the Committee may determine that dividend equivalents should be awarded in respect of any dividends paid on shares during an applicable holding period.	Non-executive directors and Rupert Mucklow will not participate in the 2015 PSP. Maximum value of options that may be granted: 75% of salary	Vesting is subject to total shareholder return (TSR) vs. companies in the FTSE EPRA NAREIT UK index. Upper quartile: 100% of award will vest Median: 20% of award will vest Below median: award will lapse Pro-rata vesting in between median and upper quartile. Options will only vest if the Committee is satisfied that the Company has achieved sound underlying financial performance. The Committee retains discretion to vary the performance target applicable to outstanding options if an event occurs which causes the Committee to consider that it would be appropriate to amend the performance target, and provided that the revised performance target is fair and reasonable and materially no more or less difficult to satisfy.

Board Report on Directors' Remuneration continued

Element	Purpose & link to strategy	Operation	Maximum opportunity	Performance Conditions
2007 Performance Share Plan ("2007 LTIP")	To reward executives for delivering the Company's long term strategy and creating sustainable shareholder returns.	Grants of nominal priced options which normally vest at the end of the three year performance period and remain exercisable until the tenth anniversary of the date of grant. Dividend equivalents are not paid.	Non-executive directors and Rupert Mucklow do not participate in the 2007 LTIP. Maximum value of options that may be granted: 75% of salary	Vesting is subject to total shareholder return (TSR) vs. companies in the FTSE EPRA NAREIT UK index. Upper decile: 100% of awards vest; Upper quartile: 66.6% of awards vest; Median: 20% of award will vest Below median: award will lapse Pro-rata vesting in between median and upper quartile and between upper quartile and upper decile. Awards will only vest if the Committee is satisfied that the Company has achieved sound underlying financial performance.
Share incentive plan ("SIP")	All employee share plan to encourage employees to acquire shares in the Company to align with shareholders.	Matching shares are offered on a 1:1 basis. Free shares are offered at the discretion of the Board. Unless a leaver, shares generally remain in the trust for at least 5 years. If a participant is a leaver within 5 years, shares are released and will usually be subject to an income tax charge.	Executive directors participate on the same basis as other employees. The maximum allocation of shares each year is: Partnership shares – lower of £1,800 and 3% of salary Matching shares - £1,800 Free shares – Lower of £3,600 and 3% of salary	No performance conditions apply.

Element	Purpose & link to strategy	Operation	Maximum opportunity	Performance Conditions
Shareholding expectation	To align executives' interests with those of shareholders.	The shareholding can be built up over a reasonable time period and includes shares owned outright (including shares acquired on exercise of options under the 2007 LTIP and the 2015 PSP ("**Options**"), vested but unexercised Options, shares held by an executive director under any share plan that remain subject only to clawback conditions, and shares held in the SIP trust). Executive directors are expected to retain at least 25% of the gross number of shares acquired on the exercise of Options.	Applies to executive directors participating in the 2007 LTIP and the 2015 PSP. Expectation: 200% of base salary	N/A

Notes to the policy table

a. Annual bonuses are only paid to executive directors in exceptional circumstances and are at the total discretion of the Committee.

b. TSR was selected as a performance condition for the 2007 LTIP and the 2015 PSP to align the vesting of the award with shareholders' interests. Targets are reviewed annually by the Committee to ensure that they remain appropriately challenging and consistent with market practice.

c. Other employees are remunerated on a basis similar to executive directors. All employees are entitled to participate in the SIP. All employees are considered for an annual cash bonus but bonuses are only payable in exceptional circumstances and are at the complete discretion of the Committee. Those in senior management roles are eligible to participate in the 2007 LTIP and the 2015 PSP at the invitation of the Committee. Awards under the 2007 PSP and the 2015 PSP and bonus levels are both set by reference to grade, and payment is made at the discretion of the Board. Pension and benefits are also provided to all employees, with levels set by reference to grade.

d. Arrangements or agreements entered into prior to 27 June 2012 shall be honoured notwithstanding that they are inconsistent with the remuneration policy set out above. Awards under the 2007 PSP remain part of Directors' Remuneration Policy until they have vested.

e. There have been changes to the Directors' Remuneration Policy approved at the 2014 AGM:

   i. Subject to shareholder approval at the 2015 AGM, the 2007 LTIP will be replaced with the 2015 PSP. The structure of the 2015 PSP is similar to the 2007 LTIP, subject to the following key amendments: (i) the introduction of malus and clawback provisions; (ii) discretion for the Committee to apply a two year holding period following the end of the relevant performance period, to awards. If a holding period applies, awards will not vest until the end of the holding period; and (iii) the performance condition has been changed such that 100% of awards will vest if the TSR of the Company is at or above the upper quartile of the EPRA NAREIT UK index (previously 100% of awards vested at upper decile). However, the Committee has the discretion to use an alternative performance measure and/or add additional measures where these are no longer the most appropriate measures to determine performance.

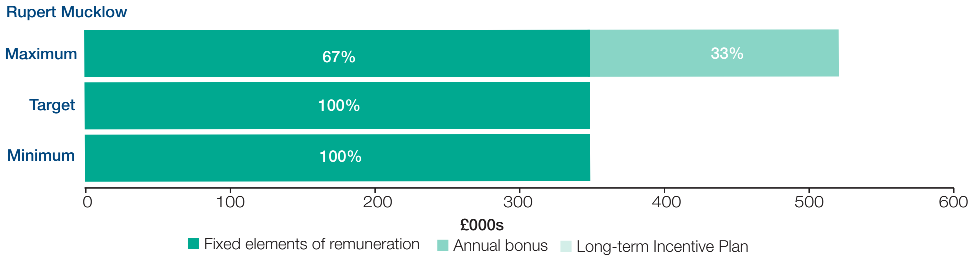
   ii. The shareholding requirement for executive directors has been increased from 100% of base salary to 200%.

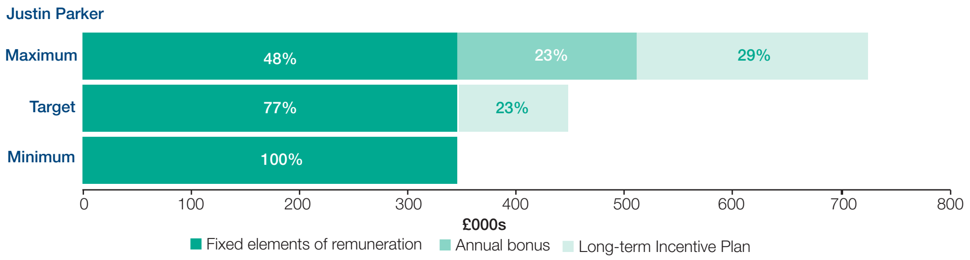
These changes will ensure that executive directors' interests are aligned to those of shareholders and to reflect developing best practice.

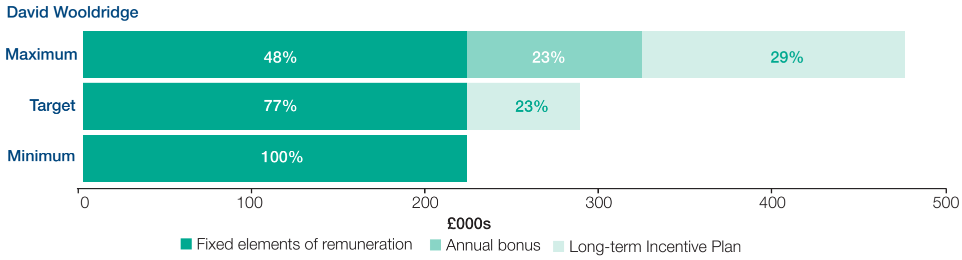
Board Report on Directors' Remuneration continued

Illustration of application of Remuneration Policy

The charts below provide an indication of the remuneration outcomes for each executive director in the circumstances prescribed by the 2013 regulations, showing potential total remuneration at (i) maximum, (ii) on-target, and (iii) minimum performance levels.







The scenario charts assume:

- Fixed pay: base pay plus retirement benefits for the year ending 30 June 2016, plus the anticipated value of other benefits (assumed for this purpose to be the same as for the year ended 30 June 2015).
- Short-term incentives: maximum bonus paid at maximum performance and nil bonus paid for on-target and below on-target performance.
- Long-term incentives: 100% payout for maximum performance and 50% of maximum payout for on-target performance, with no long-term incentives vesting for below on-target performance.

No share price appreciation has been factored into these calculations.

Non-Executive Directors' Remuneration Policy

Non-executive Directors' policy				
Non-executive directors' fees	To recruit and retain non-executives of the calibre required to provide oversight of the executives and assist the Company in setting and delivering its strategy.	Fees are paid in cash on a monthly basis and are reviewed annually. Non-executive directors do not participate in any element of performance related pay and are not eligible for any pension benefit. No benefits are provided except for the occasional reimbursement of travel and/or hotel expenses in respect of attendance at board meetings.	Fees will be in line with market median levels subject to any overall cap approved by shareholders from time to time and contained in the Company's Articles of Association. The level of any increase will normally be in line with other employees.	No performance conditions apply.

Approach to recruitment remuneration

It is our policy that the recruitment of any new directors will be in line with the policy set out above. In certain circumstances, the Committee may set a new director's salary at below the market median for the position to reflect the fact that the individual is new to the role. Salary increases in the subsequent two to three years may therefore exceed the rate applied to employee salaries more generally.

Any remuneration arrangements will be proposed by the Committee and approved by the Board. The Committee reserves discretion to offer travel or accommodation benefits for a defined period following recruitment if this is considered necessary to secure an appointment.

If the Company has to buy out any previous awards from a prior employment for an incoming director it would only do so on a "fair value" equivalence basis and the vesting period of any new awards would reflect the expected timeframe of the original awards. The overall limit on variable pay on recruitment of a new executive director is 135% of salary being the maximum annual bonus of 60% of salary and an award of 75% of salary under the 2007 LTIP and/or the 2015 PSP.

If an individual is appointed to the Board from within the Company, any existing awards or arrangements that were entered into before, and otherwise than in contemplation of, the promotion to the Board shall be allowed to subsist notwithstanding that they are not consistent with the approved Directors' Remuneration Policy.

Service contracts

It is the Company's policy that executive directors' service contracts should be on a rolling basis without a specific end date, with a 12 month notice period. Service agreements for the current executive directors are available to view at the Company's registered office.

Director	Contract Date	Effective term	Notice period	Pay in lieu of notice
Rupert Mucklow	7 September 2015	Rolling (with no fixed expiry date)	12 months by either party	Termination payments equal to salary and the value of other benefits including pension may be payable for the period remaining under the contract.
Justin Parker	7 September 2015	Rolling (with no fixed expiry date)	12 months by either party	Termination payments equal to salary and the value of other benefits including pension may be payable for the period remaining under the contract.
David Wooldridge	7 September 2015	Rolling (with no fixed expiry date)	12 months by the Company, 6 months by the executive	Termination payments equal to salary and the value of other benefits including pension may be payable for the period remaining under the contract.

Board Report on Directors' Remuneration continued

Non-executive directors do not have service contracts. The terms and conditions for the non-executive directors are available on request. Non-executive directors are subject to re-election every three years and annually after their third term of office.

Director	Date of appointment or subsequent re-election	Re-election
Paul Ludlow	12 November 2013	Every 3 years
Stephen Gilmore	11 November 2014	Every 3 years
Jock Lennox	11 November 2014	Every 3 years

Policy on payment for loss of office for incentives

Annual bonus

The annual bonus is entirely discretionary and a payment will only be made to an executive director who leaves as a good leaver (e.g. retirement, redundancy, death) during the financial year (or before the date for payment of the annual bonus) if, in the view of the Committee, it is warranted by the individual's performance.

2015 PSP

Options under the 2015 PSP will normally lapse on the date of cessation of employment (or if earlier, on the date of giving or receiving notice to cease employment) if the participant leaves the Group before the vesting date, unless he is deemed to be a good leaver in accordance with the rules of the 2015 PSP.

A participant will be deemed to be a good leaver where he leaves due to: ill health, injury, disability, death, redundancy or because he is an employee of a subsidiary that is sold out of the Group. The Committee may also treat a participant as a good leaver at its discretion, provided that a participant who is summarily dismissed cannot be considered to be a good leaver. Generally, a participant who resigns will not be considered to be a good leaver.

In the event of a participant's death, his award will vest on the date of death. For all other good leavers, the default position will be that their award will continue on the same terms and vest on the vesting date. Where a holding period applies to an award, the vesting date will be the end of the holding period.

However, the Committee has the discretion to allow an award to vest on the date the participant leaves, or where a holding period applies, the award may vest at the end of the performance period (i.e. it will vest following the end of the applicable performance period).

Non-executive directors are not eligible to receive any compensation on termination and are subject to a 3 month notice period.

Statement of consideration of employment conditions elsewhere in the Company

When setting the remuneration policy, the Committee is provided with details of the remuneration arrangements of the wider employee population and takes into account any increases available to the wider employee population and the increase in dividend when determining that of directors. The Committee is not responsible for determining the remuneration of the wider employee population. The employees were not directly consulted on the Directors' Remuneration Policy.

Statement of consideration of shareholder views

The Company received over 99% support for both the Remuneration Report and the Remuneration Policy at the 2014 AGM.

Due to the introduction of the 2015 PSP (to replace the 2007 LTIP), the revised Remuneration Policy (including the rules of the 2015 PSP) will be put to the shareholders for vote at the 2015 AGM.

Annual report on remuneration

Single total figure of remuneration for each director (audited)

Directors' emoluments	Basic salary/ Fees 2015	Basic salary/ Fees 2014	Benefits in kind 2015[ii]	Benefits in kind 2014[ii]	Bonus 2015[i]	Bonus 2014[i]	LTIP 2015[iv]	LTIP 2014[iv]	Pension 2015[iii]	Pension 2014[iii]	Total 2015	Total 2014
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Executive												
Rupert Mucklow	283	275	23	20	—	—	—	—	22	36	328	331
Justin Parker	278	270	38	32	—	—	127	254	42	40	485	596
David Wooldridge	179	173	21	21	—	—	82	147	27	26	309	367
Non-executive												
Paul Ludlow	35	27	—	—	—	—	—	—	—	—	35	27
Stephen Gilmore	35	27	—	—	—	—	—	—	—	—	35	27
Jock Lennox	35	27	—	—	—	—	—	—	—	—	35	27
Total	**845**	**799**	**82**	**73**	**—**	**—**	**209**	**401**	**91**	**102**	**1,227**	**1,375**

i. There were no bonus payments in either the current or prior year.

ii. Benefits in kind principally relate to the provision of a Company car and private health care together with free shares and partnership shares under the all employee Share Incentive Plan.

iii. Justin Parker and David Wooldridge are members of a defined contribution pension scheme. Rupert Mucklow's pension benefits are made up of pension contributions of £Nil (2014: £34,000) plus salary supplement of £21,667 (2014: £2,000). Justin Parker's pension benefits are made up of pension contributions of £40,000 (2014: £40,431) plus salary supplement of £1,523 (2014: £Nil).

iv. Amount relates to 2007 LTIP grants made in October 2010 and October 2011 which vested in November 2013 and November 2014 respectively.

2011 and 2012 LTIP vesting (audited)

	Justin Parker Option Exercise Year		David Wooldridge Option Exercise Year	
	2014	**2015**	**2014**	**2015**
Number of shares over which option may be exercised	64,021	62,609	36,985	40,205
Total shareholder return in performance period	85.51%	69.22%	85.51%	69.22%
Position in comparator group in performance period	2nd of 14	5th of 14	2nd of 14	5th of 14
Number of shares over which option can be exercised	53,349	27,128	30,820	17,421
Share price (in pence) when option exercised	502	495	502	495
Value of shares when option vests and is exercised	£267,812	£134,214	£154,716	£86,190
Subscription price	(£13,337)	(£6,782)	(£7,705)	(£4,355)
Value of Option to executive	**£254,475**	**£127,432**	**£147,011**	**£81,835**

All Options are normally exercised as soon as practicable after vesting, and will lapse if they are not exercised within 7 years of vesting.

Board Report on Directors' Remuneration continued

Scheme interests awarded during the financial year (audited)

2007 LTIP

Details of the Options awarded in the year to directors who served during the year are as follows:

Name of Director	Type of award	Basis of award	Number of shares awarded	Face value of award	Amount receivable for minimum performance	End of performance period
Justin Parker	Nominal cost Option	Annual award with performance conditions. Based on a percentage of salary	49,097	£208,662	20% of shares will vest	05/10/2017
David Wooldridge	Nominal cost Option	Annual award with performance conditions. Based on a percentage of salary	31,528	£133,994	20% of shares will vest	05/10/2017

Face value is based on a share price of 425p on the day prior to the date of grant. The exercise price of the Options is 25p per share.

Performance conditions

Vesting is subject to total shareholder return (TSR) vs. FTSE EPRA NAREIT UK index.

Awards will not normally vest and be capable of exercise prior to the third anniversary of the date of grant.

Vesting schedule:

Performance against index	Portion of award to vest
Below Median	Award to lapse
Median	20% vests
Upper quartile	66.6% vests
Upper decile	100% vests

Pro-rata in between median and upper quartile, and between upper quartile and upper decile.

Awards will only vest if the Committee is satisfied that the Company has achieved sound underlying financial performance. Participants will not receive dividend equivalents in respect of these awards.

Share Incentive Plan (audited)

The Group currently operates an HM Revenue & Customs tax-advantaged all employee Share Incentive Plan ("SIP"). During the year each executive director received 1,317 shares, with a value of £6,612 at a cost to each executive director of £1,500 (excluding tax relief). Non-executive directors are not eligible to participate in the SIP.

Payments to past directors (audited)

There were no payments to past directors in the year ended 30 June 2015.

Payments for loss of office (audited)

There were no payments for loss of office in the year ended 30 June 2015.

Statement of directors' shareholding and share interests (audited)

Particulars of the directors' shareholdings in the ordinary share capital of the Company are shown below. There were no other movements in any of the directors' shareholdings between 1 July 2015 and 7 September 2015.

None of the directors had any beneficial interest in the Company's preference shares at either 30 June 2015 or 7 September 2015.

			30 June 2015		
Ordinary shares	**Shareholding expectation**	**Shares held outright**	**Shares held as % of salary**	**Unvested Options with performance conditions**	**Total share interests**
Rupert Mucklow	—	729,202			729,202
Justin Parker	200% of salary	81,020	134%	150,617	231,637
David Wooldridge	200% of salary	76,689	197%	96,720	173,409
Paul Ludlow	—	2,861			2,861
Stephen Gilmore	—	—			—
Jock Lennox	—	3,500			3,500
Total		**893,272**		**247,337**	**1,140,609**

The share price at the year-end was 473p.

The outstanding unvested Options are made up of the following grants. All options have a 25p exercise price.

Grant Date	Share price at grant	Justin Parker	David Wooldridge
October 2012	345p	57,093	36,663
October 2013	456p	44,427	28,529
October 2014	425p	49,097	31,528

Options exercised in year

Options over ordinary shares

Director	No. of Options exercised in year	Exercise price (pence)	Market value at date of exercise (pence)	Gain on exercise £
Justin Parker	27,128	25	495	127,432
David Wooldridge	17,421	25	495	81,835
Total				**209,267**

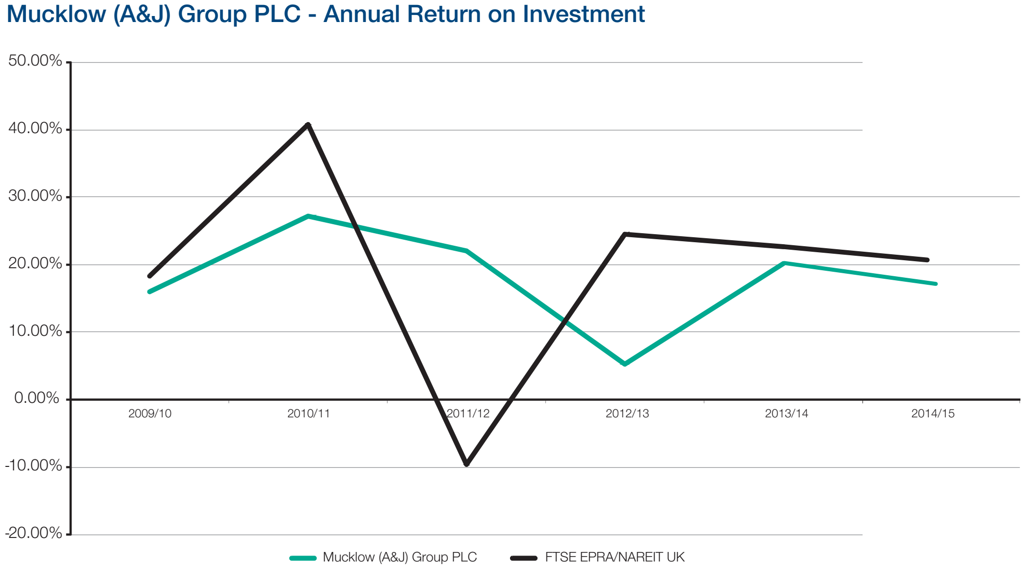
Justin Parker retained 8,138 shares and David Wooldridge retained 4,355 shares.

Movement in executive directors' ordinary shares

Director	Shares held outright 30 June 2014	Retained from Option exercise	Acquired under SIP	Shares held outright 30 June 2015
Justin Parker	71,565	8,138	1,317	81,020
David Wooldridge	71,017	4,355	1,317	76,689

Board Report on Directors' Remuneration continued

Performance graph and table
Total shareholder return



Presented above is a graph showing the total return of the Company's shares compared to the FTSE EPRA NAREIT UK price index, considered to be the most relevant index for the Company because it is the comparator group for the 2007 LTIP and the 2015 PSP. Arden Partners plc prepared the graph based on underlying data provided by Thomson Financial – Thomson One Banker.

Presented below is a table setting out details in respect of the remuneration paid to the director undertaking the role of chief executive officer in the preceding six years.

Year ended 30 June	2010	2011	2012	2013	2014	2015
Total Remuneration (£000)	271	430	486	461	596	**485**
Bonus as a percentage of maximum	0%	0%	0%	0%	0%	**0%**
LTIP as a percentage of maximum	0%	78%	89%	73%	83%	**43%**

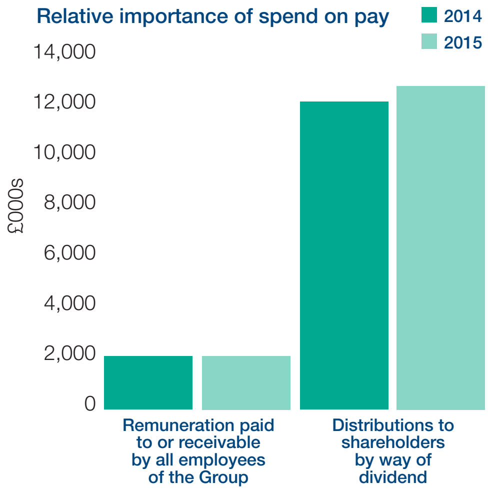
Percentage change in remuneration of director undertaking the role of chief executive officer

Presented below is a table setting out a comparison of the change in amounts paid to the director undertaking the role of chief executive officer and the change in amounts paid to the wider employee population between 2013/2014 and 2014/2015. For the purpose of this table, the employee group includes all employees of the group.

	Managing Director percentage change	Employee group percentage change
Salary	3%	3%
Taxable benefits	4%	5%
Annual bonus	n/a	n/a

Relative importance of spend on pay

Presented below is a chart detailing the absolute and percentage change in spend of remuneration paid to or receivable by all employees of the Group and the distributions to shareholders by way of dividend.



Remuneration paid to or receivable by all employees of the Group increased by 0.8% year on year whilst distributions to shareholders by way of dividend increased by 5.7%. The increase in employee remuneration is skewed as base salaries actually increased by 3% but there were cash payments made in lieu of pension contributions, as well as remuneration in the form of shares which remained unchanged.

Consideration by the Remuneration Committee of matters relating to directors' remuneration

The Remuneration Committee currently consists of three non-executive directors: Stephen Gilmore as Chairman, Paul Ludlow and Jock Lennox. The Committee is responsible for the consideration and approval of the terms of service, remuneration, pension arrangements and other benefits of the Group's executive directors and the Group Chairman. In addition, the Committee has oversight of the remuneration arrangements of the wider employee population and takes into account any increases available to the wider employee population when determining that of directors. The Committee does not directly decide the remuneration of the wider employee population.

The Committee consults the Group Chairman and Managing Director on its proposals and has access to professional advice from outside and inside the Group.

No remuneration consultants were used by the Committee during the year under review.

Statement of voting at general meeting

Presented below is a table setting out details of the vote on the Remuneration Policy 2014 Remuneration Report as cast at the 2014 AGM.

		For	Against	Abstain
Remuneration	% of votes	99.96%	0.04%	—
Policy	Number of votes	40,371,062	15,257	62,106
Remuneration	% of votes	99.95%	0.05%	—
Report	Number of votes	40,374,111	19,248	55,066

Board Report on Directors' Remuneration continued

Statement of implementation of Remuneration Policy in the following financial year (2015/16)

With effect from 1 July 2015, the base salary of the directors increased by 3%, in line with all other employees in the Group and in accordance with the Policy set out in this report.

In all other respects, the Remuneration Policy will be operated in accordance with the Policy set out in this Report.

Base salaries for executive directors with effect from 1 July 2015

Executive Director	Base Salary
Rupert Mucklow	£291,647
Justin Parker	£286,566
David Wooldridge	£184,021

Fees for non-executive directors with effect from 1 July 2015

Non-executive Director	Fees
Paul Ludlow	£36,050
Stephen Gilmore	£36,050
Jock Lennox	£36,050

Directors' Report

The directors present their annual report on the affairs of the group, together with the financial statements and auditor's report, for the year ended 30 June 2015. The Corporate Governance Statement set out on pages 23 to 26 forms part of this report.

Pages 04 to 18 contain further details of the business, including an analysis of the company's business development and performance during the year, key performance indicators, the position of the company's business as at 30 June 2015, principal risks and uncertainties and main trends, greenhouse gas emissions and factors likely to affect the future performance, position and development of the company's business.

Principal activities

A & J Mucklow Group plc acts as a holding company for all of the Group's subsidiary companies. During the financial year ending on 30 June 2015 the principal activity of the Group is selectively to develop and invest in modern industrial and commercial buildings in prominent locations around the Midlands.

Disclosure of information under Listing Rules 9.8.4

Information on allotment of shares for cash pursuant to the Group's Long Term Incentive Plan can be found on page 80 with the notes to the financial statements.

Results

The profit for the year and the dividends paid and proposed are set out in detail in the Group statement of comprehensive income and notes. The net profit before taxation for the year was £56.2m and the taxation credit was £0.1m.

Ordinary dividends

On 1 July 2015, an interim dividend for the period ended 31 December 2014 of 9.31p per share was paid. A final dividend of 11.53p per share is proposed. The total dividend paid and proposed for the year will be 20.84p per share.

The final dividend, if confirmed, will be paid on 4 January 2016 to shareholders on the register at the close of business on 4 December 2015.

Future prospects

The future prospects are commented on in the Chairman's Statement on page 05.

Directors

The directors listed on page 21 constituted the Board during the year, and up to the date of signing the annual report.

The three executive directors, Rupert Mucklow, Justin Parker and David Wooldridge, have one-year rolling service contracts with the Group. Non-executive directors do not have service contracts.

The Company's Articles of Association require that all directors submit themselves for re-election every three years, or at the first Annual General Meeting following their appointment.

Justin Parker offers himself for re-election at the AGM.

The interests of the directors in the Ordinary share capital of A & J Mucklow Group plc are set out on page 47.

Capital structure

Details of the authorised and issued share capital are shown in note 21. The Company has one class of Ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The preference shares carry 7% interest but do not carry voting rights. The percentage of the issued nominal value of the Ordinary shares is 96% (2014: 96%) of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Change of control

Borrowings

The Group has borrowing facilities provided by various parties which include provisions which may require any outstanding borrowings to be repaid, altered or terminated upon the occurrence of a change of control in the Company.

Employee share plans

The Long-Term Incentive Plan includes change of control provisions which may allow the vesting or exchange of awards, in accordance with the plan rules.

Directors' and officers' liability insurance

During the year the Company purchased and maintained liability insurance for its directors and officers as permitted by Section 234 of the Companies Act 2006.

Substantial shareholdings

The families of Albert J Mucklow (Honorary President, previous Chairman and father of the Chairman) and Margaret A Hickman (aunt of the Chairman) (the "Concert Party") collectively have an interest in 12,426,128 (2014: 12,429,727) Ordinary shares, representing 19.63% (2014: 19.65%) of the issued Ordinary Share Capital.

In addition to the shares held by the Mucklow Concert Party, as at 11 August 2015 the Company has been notified of the following voting rights over the issued share capital of the Company.

Directors' Report continued

Substantial shareholdings	Number	%
Tellin (Bermuda) Ltd	3,831,530	6.05
Anadius Investments Limited	3,671,149	5.80
Prudential plc†	3,091,717	4.88
Wesleyan Assurance Society†	3,020,000	4.77

All of the above holdings are directly held, unless marked with a †.

Going concern

The Group's financing and cash flow position is discussed in the Property and Finance Review on pages 11 to 13 and in the accounting policies on page 66 of this annual report. After making enquiries, the directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Close company provisions

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Financial instruments

Details of the exposure of the Company and its subsidiaries (included in the consolidation) to market risk, credit risk, or liquidity and cash flow risk from financial instruments can be found in note 23 to the financial statements.

Auditor

The external audit for the year ended 30 June 2016 has been tendered during the year, as detailed in the Audit Committee Report on pages 27 to 30. Deloitte LLP were not invited to tender and will resign as the Company's auditor after completing the audit of this annual report and accounts. In accordance with the recommendation of the Audit Committee, the Board intends to appoint KPMG LLP to fill the casual vacancy created. The Audit Committee have recommended resolutions to appoint KPMG LLP as the Company's auditor and to authorise the Audit Committee to agree the auditor's remuneration at the 2015 Annual General Meeting.

Disclosure of information to the auditor

Each of the directors at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
2. the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Events since 30 June 2015

There were no material events since 30 June 2015 to report, other than the £2.8m property acquisition in August 2015 referred to in the Property and Finance Review.

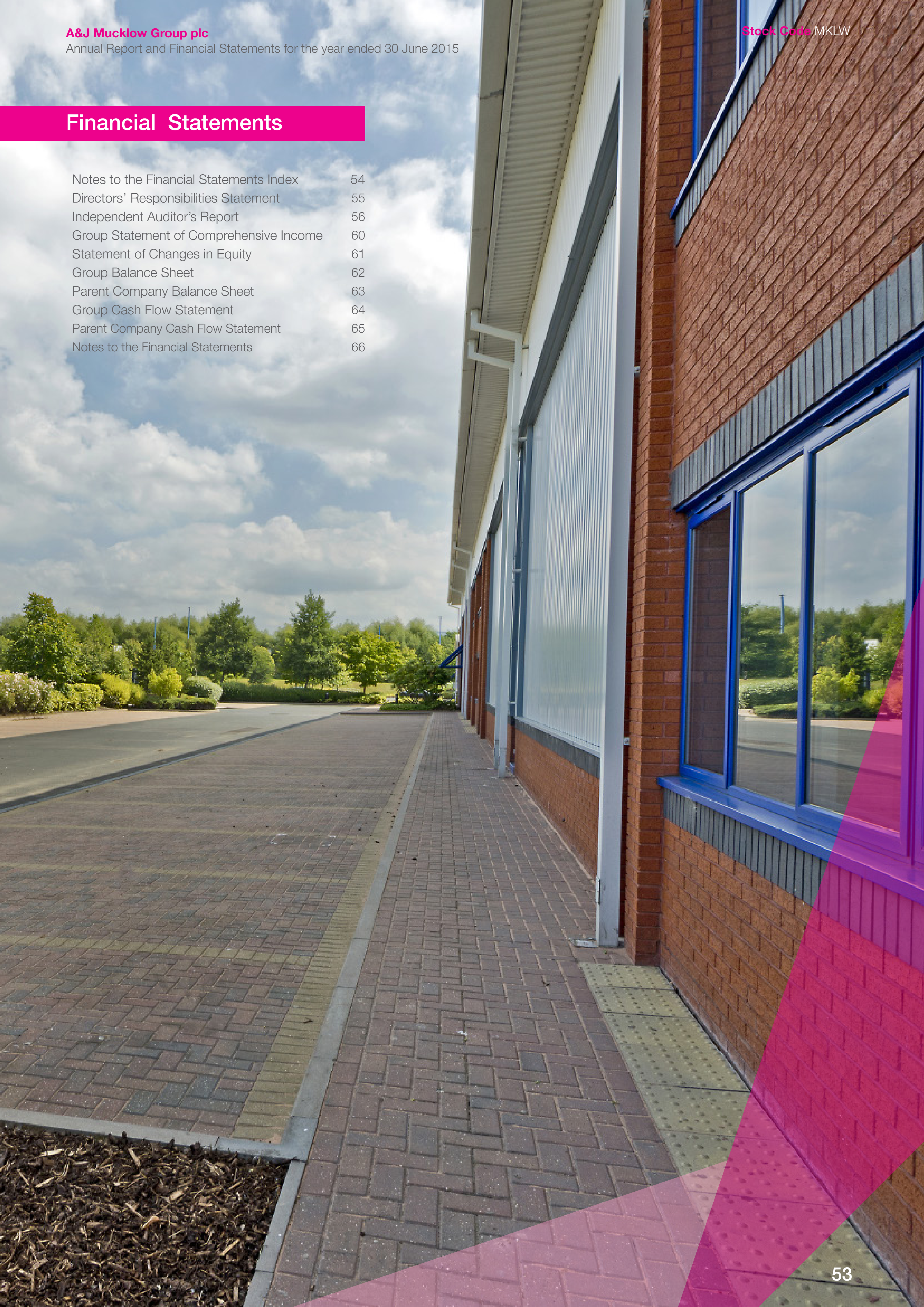
Annual General Meeting

The AGM of A & J Mucklow Group plc will be held at The Birmingham Botanical Gardens & Glasshouses, Westbourne Road, Edgbaston, Birmingham, B15 3TR on Tuesday 10 November 2015 at 11.30am.

By order of the Board

David Wooldridge
Secretary
60 Whitehall Road, Halesowen,
West Midlands, B63 3JS
7 September 2015

Financial Statements



Notes to the Financial Statements Index

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

By order of the Board

Rupert Mucklow
Chairman
7 September 2015

David Wooldridge
Finance Director
7 September 2015

Independent Auditor's Report to the Members of A & J Mucklow Group Plc

Opinion on financial statements of A & J Mucklow Group plc

In our opinion:

- **the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2015 and of the group's profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.**

The financial statements comprise the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern

As required by the Listing Rules we have reviewed the directors' statement on page 11 that the group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. Last year our report included one other risk, which is not included in our report this year, revenue recognition, the reason for this being that revenue arising from lease incentives is no longer material to the group financial statements.

Risk	How the scope of our audit responded to the risk
Valuation of investment property Valuation of investment property is an area of judgement which could materially affect the financial statements. The Group's property portfolio, as disclosed in Note 11 of the Financial Statements, is £349.7 million at 30 June 2015. The external valuers make a number of key estimates and assumptions, in particular assumptions in relation to market comparable yields and estimates in relation to future rental income increases or decreases, void periods and purchaser costs. Certain of these estimates and assumptions require input from management (specific examples including occupancy rates and updates to lease terms). Some of these estimates and assumptions are subject to market forces and will change over time.	We met with the third party valuers, appointed by those charged with governance of A & J Mucklow Group plc. For each element of the property portfolio we assessed the reasonableness of the significant judgements applied in their valuation model, including occupancy rates, lease incentives, break clauses, lease lengths and yields. This was done by focusing on properties with movements outside of market trends, with a number of the portfolio increasing in value ahead of market trends. A sample of properties were tested in detail, these were selected based on a number of factors including valuation size, significant percentage valuation movement in the year, movement outside wider market analysis and some randomly selected samples. We verified the integrity of a sample of information provided to the valuers by management relating to rental income, occupancy and life of the lease by agreement to lease contracts.

Risk	How the scope of our audit responded to the risk
Covenant compliance and liquidity disclosure Covenant compliance is significant as the continuance of external funding is a key factor in determining the Group's ability to continue as a Going Concern. The Group has £75.9 million (as set out in note 19) of drawn debt as at 30 June 2015 from £105.7 million of available funds and a gearing ratio of 26%. Covenant compliance is dependent on property valuations, cash management and the terms of the group's finance facilities, not all elements of which are within the control of management.	We tested compliance with loan covenants with reference to the Group's financing terms. We reviewed management's forecasts and assumptions for the forecast period and assessed reasonableness, in addition retrospective covenant recalculation was performed, for ongoing covenant compliance available headroom was assessed. We conducted sensitivity analysis and reviewed management's sensitivity analysis. We also confirmed that adequate disclosures have been made in the Annual Report which reflect the position of the Group's financing and the risks associated with the Group's ability to continue as a going concern.
REIT Conditions Compliance A & J Mucklow Group plc is a Real Estate Investment Trust, "REIT" (see note 8). As a REIT, the Group must ensure that it monitors its compliance with the requirements of the regime. Failure to meet these conditions would result in material adjustments to the Group in terms of taxation charges.	Management have prepared calculations to support compliance with these conditions. We have recalculated and agreed compliance with these conditions with reference to the REIT legal requirements at the Balance Sheet date, and within the forecast period of twelve months.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 28.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the company to be £2.5m (2014: £2.2m), which is 1% (2014: 1%) of equity. Equity is used as the benchmark as it is a key driver for a REIT.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £50,000 (2014: £44,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We complete a statutory audit of all active entities within the Group's consolidation, and as such there are no component auditors reporting to us as group auditors.

All statutory entities are audited from one location as part of our Group audit opinion to a statutory materiality level which is lower than the Group materiality.

Independent Auditor's Report to the Members of A & J Mucklow Group Plc continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. **We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Jonathan Dodworth (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, UK
7 September 2015

Group Statement of Comprehensive Income

for the year ended 30 June 2015

	Notes	2015 £000	2014 £000
Revenue	2	**22,569**	22,082
Gross rental income relating to investment properties	2	**21,589**	21,141
Property outgoings	3	**(1,008)**	(1,025)
Net rental income relating to investment properties		**20,581**	20,116
Proceeds on sale of trading properties	2	**—**	45
Carrying value of trading properties sold		**—**	(13)
Property outgoings relating to trading properties		**(12)**	(4)
Net (expenditure on)/income from trading properties		**(12)**	28
Administration expenses		**(3,232)**	(3,232)
Operating profit before net gains on investment and development properties		**17,337**	16,912
Profit on disposal of investment and development properties		**106**	271
Revaluation of investment and development properties	11	**42,369**	27,590
Operating profit		**59,812**	44,773
Total finance income	7	**—**	1
Total finance costs	7	**(3,589)**	(4,071)
Net finance costs	7	**(3,589)**	(4,070)
Profit before tax	5	**56,223**	40,703
Tax credit	8	**100**	—
Profit for the financial year		**56,323**	40,703
Other comprehensive income:			
Items that will not be reclassified subsequently to profit and loss:			
Revaluation of owner-occupied property		**108**	67
Total comprehensive income for the year attributable to the owners of the parent		**56,431**	40,770

All operations are continuing.

Basic and diluted earnings per share	10	**89.02p**	66.45p

Statement of Changes in Equity

for the year ended 30 June 2015

Group	Ordinary share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve £000	Share-based payments reserve £000	Retained earnings £000	Total equity £000
Balance at 30 June 2013	15,060	—	11,162	114	306	155,837	182,479
Retained profit	—	—	—	—	—	40,703	40,703
Other comprehensive income	—	—	—	67	—	—	67
Total comprehensive income	—	—	—	67	—	40,703	40,770
Share-based payment	—	—	—	—	194	—	194
Ordinary share issue	750	13,017	—	—	—	—	13,767
Exercise of share options	—	—	—	—	(167)	167	—
Lapsed dividend	—	—	—	—	—	31	31
Dividends paid	—	—	—	—	—	(12,270)	(12,270)
Balance at 30 June 2014	15,810	13,017	11,162	181	333	184,468	224,971
Retained profit	—	—	—	—	—	56,323	56,323
Other comprehensive income	—	—	—	108	—	—	108
Total comprehensive income	—	—	—	108	—	56,323	56,431
Share-based payment	—	—	—	—	200	—	200
Ordinary share issue	13	—	—	—	—	—	13
Exercise of share options	—	—	—	—	(198)	198	—
Dividends paid	—	—	—	—	—	(12,975)	(12,975)
Balance at 30 June 2015	**15,823**	**13,017**	**11,162**	**289**	**335**	**228,014**	**268,640**

Company	Ordinary share capital £000	Share premium £000	Capital redemption reserve £000	Revaluation reserve £000	Share-based payments reserve £000	Retained earnings £000	Total equity £000
Balance at 30 June 2013	15,060	—	11,162	—	306	145,023	171,551
Retained profit	—	—	—	—	—	10,681	10,681
Ordinary share issue	750	13,017	—	—	—	—	13,767
Share-based payment	—	—	—	—	194	—	194
Exercise of share options	—	—	—	—	(167)	167	—
Lapsed dividend	—	—	—	—	—	31	31
Dividends paid	—	—	—	—	—	(12,270)	(12,270)
Balance at 30 June 2014	15,810	13,017	11,162	—	333	143,632	183,954
Retained profit	—	—	—	—	—	12,287	12,287
Ordinary share issue	13	—	—	—	—	—	13
Share-based payment	—	—	—	—	200	—	200
Exercise of share options	—	—	—	—	(198)	198	—
Dividends paid	—	—	—	—	—	(12,975)	(12,975)
Balance at 30 June 2015	**15,823**	**13,017**	**11,162**	**—**	**335**	**143,142**	**183,479**

Group Balance Sheet

at 30 June 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Investment and development properties	11	**348,607**	297,916
Property, plant and equipment	12	**1,315**	1,233
Derivative financial instruments		**58**	249
Trade and other receivables	13	**500**	639
		350,480	300,037
Current assets			
Trading properties	14	**468**	468
Trade and other receivables	15	**896**	1,447
Cash and cash equivalents	16	**6,871**	6,992
		8,235	8,907
Total assets		**358,715**	308,944
Current liabilities			
Trade and other payables	17	**(14,167)**	(9,497)
Borrowings	19	**–**	(4,203)
Current tax liabilities		**–**	(731)
		(14,167)	(14,431)
Non-current liabilities			
Borrowings	19	**(75,908)**	(69,542)
Total liabilities		**(90,075)**	(83,973)
Net assets		**268,640**	224,971
Equity			
Called up ordinary share capital	21	**15,823**	15,810
Share premium	22	**13,017**	13,017
Revaluation reserve	22	**289**	181
Share-based payment reserve		**335**	333
Redemption reserve	22	**11,162**	11,162
Retained earnings		**228,014**	184,468
Total equity		**268,640**	224,971
Net asset value per share			
— Basic and diluted	10	**424p**	356p
— EPRA	10	**427p**	358p

Rupert Mucklow

David Wooldridge

The financial statements of A & J Mucklow Group plc, registered number 717658, were approved by the Board and authorised for issue on 7 September 2015.

The notes attached are an integral part of the financial statements.

Parent Company Balance Sheet

at 30 June 2015

	Notes	2015 £000	2014 £000
Non-current assets			
Investments	27	**186,142**	186,142
Derivative financial instruments		**58**	249
Trade and other receivables		**378**	517
		186,578	186,908
Current assets			
Trade and other receivables	15	**42,098**	36,519
		42,098	36,519
Total assets		**228,676**	223,427
Current liabilities			
Trade and other payables	17	**(8,956)**	(4,621)
Borrowings	19	**—**	(4,203)
Current tax liabilities		**(11)**	(741)
		(8,967)	(9,565)
Non-current liabilities			
Borrowings	19	**(36,230)**	(29,908)
Total liabilities		**(45,197)**	(39,473)
Net assets		**183,479**	183,954
Equity			
Called up ordinary share capital	21	**15,823**	15,810
Share premium	22	**13,017**	13,017
Share-based payment reserve		**335**	333
Redemption reserve	22	**11,162**	11,162
Retained earnings		**143,142**	143,632
Total equity		**183,479**	183,954

Rupert Mucklow

David Wooldridge

The financial statements of A & J Mucklow Group plc, registered number 717658, were approved by the Board and authorised for issue on 7 September 2015.

Group Cash Flow Statement

for the year ended 30 June 2015

	Notes	2015 £000	2014 £000
Cash flows from operating activities			
Operating profit		**59,812**	44,773
Adjustments for non-cash items			
— Unrealised net revaluation gains on investment and development properties		**(42,369)**	(27,590)
— Profit on disposal of investment properties		**(106)**	(271)
— Depreciation		**96**	95
— Share based payments		**200**	194
— Loss/(profit) on sale of property, plant and equipment		**2**	(4)
— Amortisation of lease incentives		**(702)**	(1,365)
Other movements arising from operations			
— Increase in trading properties		**—**	(10)
— Decrease in receivables		**551**	300
— (Decrease)/increase in payables		**(1,453)**	822
Net cash generated from operations		**16,031**	16,944
Interest received		**—**	1
Interest paid		**(3,308)**	(3,580)
Preference dividends paid		**(47)**	(47)
Corporation tax refunded		**—**	6
Net cash inflow from operating activities		**12,676**	13,324
Cash flows from investing activities			
Acquisition of and additions to investment and development properties		**(8,094)**	(10,498)
Proceeds on disposal of investment and development properties		**392**	3,885
Net expenditure on property, plant and equipment		**(72)**	(10)
Net cash outflow from investing activities		**(7,774)**	(6,623)
Cash flows from financing activities			
Net increase/(decrease) in borrowings		**6,250**	(2,500)
Repayment of debenture stock		**(4,204)**	—
Equity share issues		**13**	14,235
Cost of equity share issue		**—**	(467)
Equity dividends lapsed		**—**	31
Equity dividends paid		**(7,082)**	(12,270)
Net cash outflow from financing activities		**(5,023)**	(971)
Net (decrease)/increase in cash and cash equivalents		**(121)**	5,730
Cash and cash equivalents at 1 July		**6,992**	1,262
Cash and cash equivalents at 30 June	16	**6,871**	6,992

Parent Company Cash Flow Statement

for the year ended 30 June 2015

	2015 £000	2014 £000
Cash flows from operating activities		
Operating profit	**12,405**	11,362
Adjustments for non-cash items		
— Share-based payments	**200**	194
— Decrease in receivables	**6,111**	3,866
— Decrease in payables	**(12,622)**	(12,893)
Net cash generated from operations	**6,094**	2,529
Interest paid	**(1,024)**	(1,511)
Preference dividends paid	**(47)**	(47)
Net cash inflow from operating activities	**5,023**	971
Cash flows from financing activities		
Net increase/(decrease) in borrowings	**6,250**	(2,500)
Repayment of debenture stock	**(4,204)**	—
Equity share issue	**13**	14,235
Cost of equity share issue	**—**	(467)
Equity dividends lapsed	**—**	31
Equity dividends paid	**(7,082)**	(12,270)
Net cash outflow from financing activities	**(5,023)**	(971)
Net increase in cash and cash equivalents	**—**	—
Cash and cash equivalents at 1 July	**—**	—
Cash and cash equivalents at 30 June	**—**	—

Notes to the Financial Statements

1 ACCOUNTING POLICIES

Basis of preparation of financial information

A & J Mucklow Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 22.

The Group and Parent financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS regulation.

The financial statements are prepared under the historical cost convention, except for the revaluation of investment and development properties and owner-occupied properties and deferred tax thereon and certain financial assets, with consistent accounting policies to the prior year.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. Control is assumed where the Parent Company has the power to govern the financial and operational policies of the subsidiary.

Unrealised gains and losses on intra-Group transactions and intra-Group balances are eliminated from the consolidated results.

Going concern

As at 30 June 2015 the Group had £29.25m of undrawn banking facilities and had drawn down £15.75m from its HSBC £44m 2018 Revolving Credit Facility. The Group's £1.0m overdraft, which is due for renewal within 12 months of the date of this document, was undrawn. Given these facilities, the Group's low gearing level of 26% and £128.1m of unencumbered properties, significant capacity exists to raise additional finance or to provide additional security for existing facilities, should property values fall. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect reported amounts of assets and liabilities during the reporting period. These estimates and assumptions are based on management's best knowledge of the amount, event or actions. Actual results may differ from those amounts.

Management has made judgements over the valuation of properties that has a significant effect on the amounts recognised in the financial statements. Management has used the valuation performed by its independent valuers as the fair value of its investment, development, owner-occupied and trading properties. The valuation is based upon assumptions including future rental income and an appropriate discount rate. The valuers also use market evidence of transaction prices for similar properties.

Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards, Amendments and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle

The adoption of these Standards, Amendments and Interpretations will either result in changes to presentation and disclosure, or are not expected to have a material impact on the financial statements.

Significant accounting policies

Revenue recognition

Rental income

Gross rental income represents rents receivable for the year. Rent increases arising from rent reviews due during the year are taken into account only to the extent that such reviews have been agreed with tenants at the accounting date.

Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

Lease incentives are amortised on a straight-line basis over the lease term.

Property operating expenses are expensed as incurred. Service charges and other recoverables are credited against the related expense.

1 ACCOUNTING POLICIES continued

Revenue and profits on sale of investment, development and trading properties

Revenue and profits on sale of investment, development and trading properties are taken into account on the completion of contracts.

The amount of profit recognised is the difference between sale proceeds and the carrying amount.

Dividends and interest income

Dividend income from investments in subsidiaries is recognised when shareholders' rights to receive payment have been established.

Interest income is recognised on an accruals basis when it falls due.

Cost of properties

An amount equivalent to the total development outgoings, including interest, attributable to properties held for development is added to the cost of such properties. A property is regarded as being in the course of development until practical completion.

Interest associated with direct expenditure on investment properties which are undergoing development or major refurbishment and development properties is capitalised. Direct expenditure includes the purchase cost of a site or property for development properties, but does not include the original book cost of investment property under development or refurbishment. Interest is capitalised gross from the start of the development work until the date of practical completion, but is suspended if there are prolonged periods when development activity is interrupted. The rate used is the rate on specific associated borrowings or, for that part of the development costs financed out of general funds, the average rate.

Valuation of properties

Investment properties are valued at the balance sheet date at fair value. Where investment properties are being redeveloped the property continues to be treated as an investment property. Surpluses and deficits attributable to the Group arising from revaluation are recognised in the statement of comprehensive income. Valuation surpluses reflected in retained earnings are not distributable until realised on sale.

Properties under development, which were not previously classified as investment properties, are valued at fair value until practical completion, when they are transferred to investment properties. Valuation surpluses and deficits attributable to properties under development are recognised in the statement of comprehensive income.

Owner-occupied properties are valued at the balance sheet date at fair value. Valuation changes in owner-occupied property are taken to revaluation reserve through other comprehensive income. Where the valuation is below historic cost, the deficit is recognised in the statement of comprehensive income.

Trading properties held for resale are stated at the lower of cost and net realisable value.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve through other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Notes to the Financial Statements continued

1 ACCOUNTING POLICIES continued

Depreciation on revalued buildings is charged to income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Plant and equipment is stated at cost less accumulated depreciation, less any recognised impairment.

Depreciation

Depreciation is provided on buildings, motor vehicles and fixtures and fittings on a straight-line basis over the estimated useful lives of between two and twenty-five years. Investment properties are not depreciated.

Capital grants

Capital grants received relating to the cost of building or refurbishing investment properties are deducted from the cost of the relevant property. Revenue grants are deducted from the related expenditure.

Share-based payments

The cost of granting equity-settled share options and other share-based remuneration is recognised in the statement of comprehensive income at their fair value at grant date. They are expensed straight-line over the vesting period, based on estimates of the shares or options that eventually vest. Options are valued using the Monte Carlo simulation model.

Deferred taxation

Deferred taxation is provided in full on temporary differences that result in an obligation to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Temporary differences arise from the inclusion of items in taxation computations in periods different from when they are included in the financial statements. Deferred tax is provided on temporary differences arising from the revaluation of fixed assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Tax is recognised in the statement of comprehensive income except for items that are reflected directly in equity, where the tax is also recognised in equity.

Pension costs

The cost to the Group of contributions made to defined contribution plans is expensed when the contributions fall due.

Acquisitions

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the Group's share of separable net assets. Where the fair value of the cost of acquisition exceeds the fair value attributable to such assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition.

Under the Group's previous policy, £0.13m of goodwill has been written off directly to reserves as a matter of accounting policy. This would be credited to the statement of comprehensive income on disposal of the business to which it related.

Group undertakings

Investments are included in the balance sheet at cost less any provision for impairment.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for any amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or they expire.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of future cash flows discounted at the effective rate computed at initial recognition.

1 ACCOUNTING POLICIES continued

Available-for-sale assets

Mortgage receivables held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 13. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, which are recognised directly in the statement of comprehensive income.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss recognised in the investments revaluation reserve is included in profit or loss for the period.

Financial assets at FVTPL

Financial assets are classified as at 'fair value through profit or loss' where it is a derivative that is not designated and effective as a hedging instrument. The interest rate caps are classified as FVTPL.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlements or redemption and direct issue costs, are accounted for on an accrual basis in the statement of comprehensive income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2 REVENUE

	2015 £000	2014 £000
Gross rental income from investment and development properties	**21,589**	21,141
Service charge income	**980**	896
Income received from trading properties	**—**	45
	22,569	22,082
Finance income (note 7)	**—**	1
Total revenue	**22,569**	22,083

3 PROPERTY COSTS

	2015 £000	2014 £000
Service charge income	**(980)**	(896)
Service charge expenses	**1,074**	1,017
Other property expenses	**914**	904
	1,008	1,025

Notes to the Financial Statements continued

4 SEGMENTAL ANALYSIS

The Group has two reportable segments: investment and development property and trading property.

These two segments are considered appropriate for reporting under IFRS 8 "Operating Segments" as these are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. The Group has a large and diverse customer base and there is no significant reliance on any single customer.

The measure of profit or loss that is reported to the Board of Directors for the segments is profit before tax. A segmental analysis of income from the two segments is presented below, which includes a reconciliation to the results reported in the Group statement of comprehensive income.

	2015 £000	2014 £000
Investment and development properties		
— Net rental income	20,581	20,116
— Profit on disposal	106	271
— Gain on revaluation of investment properties	37,340	27,633
— Gain/(deficit) on revaluation of development properties	5,029	(43)
	63,056	47,977
Trading properties		
— Income received from trading properties	–	45
— Carrying value on sale	–	(13)
— Property outgoings	(12)	(4)
	(12)	28
Net income from the property portfolio before administration expenses	63,044	48,005
Administration expenses	(3,232)	(3,232)
Operating profit	59,812	44,773
Net financing costs	(3,589)	(4,070)
Profit before tax	56,223	40,703
The property revaluation gain has been recognised as follows:		
Within operating profit		
— Investment properties	37,340	27,633
— Development properties	5,029	(43)
	42,369	27,590
Within other comprehensive income		
— Owner-occupied properties	108	67
Total revaluation gain for the period	42,477	27,657

4 SEGMENTAL ANALYSIS continued

Segmental information on assets and liabilities, including a reconciliation to the results reported in the Group balance sheet, are as follows:

	2015 £000	2014 £000
Balance sheet		
Investment and development properties		
— Segment assets	**349,253**	299,160
— Segment liabilities	**(5,134)**	(5,879)
— Net borrowings	**(69,037)**	(66,753)
	275,082	226,528
Trading properties		
— Segment assets	**468**	468
— Segment liabilities	**—**	—
	468	468
Other activities		
— Unallocated assets	**2,123**	2,324
— Unallocated liabilities	**(9,033)**	(4,349)
	(6,910)	(2,025)
Net assets	**268,640**	224,971
Capital expenditure		
Investment and development properties	**7,840**	10,779
Other activities	**110**	50
	7,950	10,829
Depreciation		
Other activities	**96**	95
	96	95

All operations and income are derived from the United Kingdom and therefore no geographical segmental information is provided.

5 PROFIT FOR THE YEAR

	2015 £000	2014 £000
Profit for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**96**	95
Loss/(profit) on the sale of property, plant and equipment	**2**	(4)
Net gains on revaluation of investment and development properties	**(42,369)**	(27,590)
Staff costs (see note 6)	**1,969**	1,954

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the Parent Company is not presented as part of these financial statements. The Parent Company's profit for the financial year after taxation amounted to £12.3m (2014: £10.7m).

Notes to the Financial Statements continued

5 PROFIT FOR THE YEAR continued

Auditor's remuneration — Deloitte LLP

	2015 £000	2014 £000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual financial statements	**49**	47
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries pursuant to legislation	**12**	12
Total audit fees	**61**	59
Audit related assurance services	**14**	12
Taxation compliance services	**34**	30
Other taxation advisory services	**1**	25
Total non-audit fees	**49**	67

The fees paid to the Group's auditor in the current and prior year in respect of other services primarily relate to the half year review, corporate tax compliance work and corporate tax advice, VAT advice and REIT compliance. The level of fees paid to Deloitte LLP for non-audit services during the year has been reviewed by the Audit Committee, who are satisfied that there is no risk of the independence of the audit being compromised.

The use of Deloitte LLP to provide tax services is considered to be appropriate given the complexity of the Group's tax affairs, which requires a detailed knowledge of the structure and history of the organisation.

6 STAFF COSTS (INCLUDING DIRECTORS)

Staff numbers and costs

The average monthly number of persons employed by the Group (including directors) during the year was as follows:

	2015 Number	2014 Number
Management	**6**	6
Administration	**4**	4
Property	**5**	5
Total employees	**15**	15

The Parent Company has no employees other than directors and no staff costs. The remuneration of the directors is paid by another Group undertaking for the current and prior financial year and no part of their remuneration is specifically attributable to their services for this Company.

The aggregated payroll costs (including directors) were as follows:

	2015 £000	2014 £000
Wages and salaries	**1,397**	1,319
Share-based payment	**241**	242
Social security costs	**225**	245
Pension costs	**106**	148
	1,969	1,954

Pension arrangements

The Group operates defined contribution plans for qualifying permanent staff with payments invested with Standard Life plc.

Pension contributions (including for directors) paid in the year ended 30 June 2015 amounted to £105,745 (2014: £148,095).

7 NET FINANCE COSTS

	2015 £000	2014 £000
Finance costs on:		
Debenture stock	–	483
Preference share dividend	47	47
Fair value movement of derivative financial instruments	191	103
Capitalised interest	(66)	(10)
Bank overdraft and loan interest payable	3,417	3,448
Total finance costs	3,589	4,071
Finance income on:		
Short-term deposits	–	–
Fair value movement of derivative financial instruments	–	–
Bank and other interest receivable	–	1
Total finance income	–	1
Net finance costs	3,589	4,070

8 TAXATION

	2015 £000	2014 £000
Current tax		
— Corporation tax	–	–
— Adjustment in respect of previous years	100	–
	100	–
Deferred tax	–	–
Total tax credit in the statement of comprehensive income	100	–

The tax credit in the current financial year reflects the removal of provisions in respect of prior year liabilities.

The tax credit for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2015 £000	2014 £000
Profit before tax	56,223	40,703
Profit before tax multiplied by the standard rate of UK corporation tax of 20.75% (2014: 22.5%)	11,666	9,158
Effect of:		
REIT exempt income and gains	(11,867)	(9,415)
Losses not recognised	160	213
Share based payments	41	44
Adjustments in respect of prior years	100	–
	100	–

A reduction in the main rate of corporation tax from 21% to 20% with effect from 1 April 2015 was substantively enacted on 2 July 2013 and as such deferred tax at the balance sheet date has been recognised at the reduced rate and current tax for the year ended 30 June 2015 has been calculated at the blended rate of 20.75%.

The Group became a Real Estate Investment Trust (REIT) on 1 July 2007. Under the tax rules which apply to REITs properties which are developed and sold within three years of completion do not benefit from the normal REIT tax exemption on disposal gains. The Group currently owns £13.6m (2014: £Nil) of properties which have completed development during the previous three years. If these properties had been disposed of at their 30 June 2015 valuation, then tax of £0.4m (2014: £Nil) would have become payable. No deferred tax has been provided in respect of this potential tax liability as the Group had no plans to dispose of these properties at the balance sheet date.

Notes to the Financial Statements continued

9 DIVIDENDS

	2015 £000	2014 £000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 June 2014 of 11.19p (2013: 10.86p) per share	**7,083**	6,553
Interim dividend for the year ended 30 June 2015 of 9.31p (2014: 9.04p) per share	**5,892**	5,717
Dividends lapsed	**—**	(31)
	12,975	12,239

The directors propose a final dividend for the year ended 30 June 2015 of 11.53p (2014: 11.19p) per Ordinary share, totalling £7.3m.

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has therefore not been included as a liability in these financial statements.

The final dividend, if approved, will be paid on 4 January 2016 to shareholders on the register at the close of business on 4 December 2015.

10 EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

Earnings per share

The basic and diluted earnings per share of 89.02p (2014: 66.45p) has been calculated on the basis of the weighted average of 63,273,435 Ordinary shares (2014: 61,250,268 Ordinary shares) and profit of £56.3m (2014: £40.7m).

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of earnings and net asset value per share information and these are included in the following tables.

The EPRA earnings per share has been amended from the basic and diluted earnings per share by the following:

	2015 £000	2014 £000
Earnings	**56,323**	40,703
Profit on disposal of investment and development properties	**(106)**	(271)
Net gains on revaluation of investment and development properties	**(42,369)**	(27,590)
Net expenditure on/(income from) trading properties	**12**	(28)
Fair value movement on derivative financial instruments	**191**	103
Tax adjustments	**—**	—
EPRA earnings	**14,051**	12,917
EPRA earnings per share	**22.21p**	21.09p

The Group presents an EPRA earnings per share figure as the directors consider that this is a better indicator of the performance of the Group.

There are no dilutive shares. Options over 105,418 Ordinary shares were granted in the year (2014: 87,606 Ordinary shares) under the 2007 Performance Share Plan. The vesting conditions for these shares have not been met, so they have not been treated as dilutive in these calculations. The fourth three year award under the 2007 Performance Share Plan vested in the period, with 53,495 Ordinary shares being issued and with 69,965 shares lapsed.

10 EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE continued

Net asset value per share

The net asset value per share of 424p (2014: 356p) has been calculated on the basis of the number of equity shares in issue of 63,294,833 (2014: 63,241,338) and net assets of £268.6m (2014: £225.0m). The EPRA net asset value per share has been calculated as follows:

	2015 £000	2014 £000
Equity shareholders' funds	**268,640**	224,971
Valuation of land held as trading properties	**1,942**	1,942
Book value of land held as trading properties	**(468)**	(468)
Fair value of derivative financial instruments	**(58)**	(249)
EPRA net asset value	**270,056**	226,196
EPRA net asset value per share	**427p**	358p

11 INVESTMENT AND DEVELOPMENT PROPERTIES

Group	**Investment £000**	**Development £000**	**Total £000**
At 30 June 2013	253,780	8,007	261,787
Additions	9,053	1,726	10,779
Lease incentives	1,365	—	1,365
Capitalised interest	—	10	10
Disposals	(3,615)	—	(3,615)
Revaluation gain	27,633	(43)	27,590
At 1 July 2014	288,216	9,700	297,916
Additions	4,342	3,498	7,840
Lease incentives	622	80	702
Capitalised interest	—	66	66
Transfer	12,300	(12,300)	—
Disposals	(286)	—	(286)
Revaluation gain	37,340	5,029	42,369
At 30 June 2015	342,534	6,073	348,607

The closing book value shown above comprises £327.2m (2014: £279.1m) of freehold and £21.4m (2014: £18.8m) of leasehold properties.

	Freehold £000	**Leasehold £000**	**Total £000**
Properties held at valuation on 30 June 2015:			
Cost	205,619	21,567	227,186
Valuation surplus/(deficit)	121,618	(197)	121,421
Valuation	327,237	21,370	348,607

	Freehold £000	Leasehold £000	Total £000
Properties held at valuation on 30 June 2014:			
Cost	197,679	21,483	219,162
Valuation surplus/(deficit)	81,472	(2,718)	78,754
Valuation	279,151	18,765	297,916

The properties are stated at their 30 June 2015 fair value and are valued by DTZ Debenham Tie Leung Limited, professionally qualified external valuers, in accordance with the RICS Valuation Professional Standards published by the Royal Institution of Chartered Surveyors. DTZ Debenham Tie Leung Limited have recent experience in the relevant location and category of the properties being valued.

Notes to the Financial Statements continued

11 INVESTMENT AND DEVELOPMENT PROPERTIES continued

	2015 £000	2014 £000
DTZ valuation	**349,652**	298,937
Owner-occupied property included in property, plant and equipment	**(1,108)**	(1,000)
Other adjustments	**63**	(21)
Investment and development properties as at 30 June 2015	**348,607**	297,916

Additions to freehold and leasehold properties include capitalised interest of £0.07m (2014: £0.01m). The total amount of interest capitalised included in freehold and leasehold properties is £5.4m (2014: £5.3m). Properties valued at £221.5m (2014: £205.3m) were subject to a security interest.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Owner-occupied property £000	Plant and vehicles £000	Total £000
Cost			
At 1 July 2013	933	1,015	1,948
Additions	—	50	50
Disposals	—	(570)	(570)
Revaluation surplus	67	—	67
At 30 June 2014	1,000	495	1,495
Depreciation			
At 1 July 2013	—	701	701
Charged in year	—	95	95
On disposal	—	(534)	(534)
At 30 June 2014	—	262	262
Net book value			
At 30 June 2014	1,000	233	1,233
At 30 June 2013	933	314	1,247
Properties held at valuation:			
Cost	948	—	948
Valuation surplus	52	—	52
Valuation	1,000	—	1,000
Cost			
At 1 July 2014	1,000	495	1,495
Additions	—	110	110
Disposals	—	(101)	(101)
Revaluation deficit	108	—	108
At 30 June 2015	**1,108**	**504**	**1,612**
Depreciation			
At 1 July 2014	—	262	262
Charged in year	—	96	96
On disposal	—	(61)	(61)
At 30 June 2015	**—**	**297**	**297**
Net book value			
At 30 June 2015	**1,108**	**207**	**1,315**
At 30 June 2014	1,000	233	1,233
Properties held at valuation:			
Cost	948	—	948
Valuation deficit	160	—	160
Valuation	1,108	—	1,108

Owner-occupied properties are valued by DTZ Debenham Tie Leung Limited on the same basis as the investment properties. See note 11 for details.

13 NON-CURRENT TRADE AND OTHER RECEIVABLES

	2015 £000	2014 £000
Mortgage receivables	**122**	122
Other debtors	**378**	517
	500	639

The figures shown above are after deducting a provision for bad and doubtful debts of £Nil (2014: £Nil).

The directors consider that the carrying amount of trade and other receivables is their fair value. Fair value is determined by discounting the expected future value of repayments.

The mortgages are receivable on the disposal of the secured properties and are classified as available for sale assets carried at fair value in accordance with IFRS 7.

14 TRADING PROPERTIES

	2015 £000	2014 £000
Land stock	**468**	468

15 TRADE AND OTHER RECEIVABLES

Group	2015 £000	2014 £000
Falling due in less than one year		
Trade receivables	**673**	1,214
Prepayments and accrued income	**223**	233
	896	1,447

Company	2015 £000	2014 £000
Falling due in less than one year		
Amounts due from Group undertakings	**42,091**	36,512
Prepayments and accrued income	**7**	7
	42,098	36,519

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. No provision for impairment is held against the Group undertaking balances, as the Group expects to recover the balances in full from the subsidiary companies through day-to-day transactions and intercompany dividends.

Trade Receivables

No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from rental income of £0.0m (2014: £0.0m). This allowance has been determined by reference to past default experience.

The Group has provided fully for those receivable balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all significant balances that are past due and involves assessing both the reason for non-payment and the creditworthiness of the counterparty.

Included in the Group's trade receivable balance are debtors with a carrying amount of £0.1m (2014: £0.3m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of receivables not impaired is 0 days (2014: 5 days).

Notes to the Financial Statements continued

15 TRADE AND OTHER RECEIVABLES continued

Ageing of past due but not impaired receivables:

Number of days past due	2015 £000	2014 £000
1–30 days	**1**	343
30–60 days	**66**	2
60–90 days	**19**	(5)
90 days +	**1**	6
Balance at 30 June past due but not impaired	**87**	346
Current	**586**	868
Balance at 30 June	**673**	1,214

Movement in the allowance for doubtful debts (net of VAT):

	2015 £000	2014 £000
At 1 July	**32**	16
Impairment losses recognised	**7**	27
Amounts written off	**(20)**	(10)
Amounts recovered during the year	**(7)**	(1)
Balance at 30 June	**12**	32

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the tenant base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Ageing of impaired trade receivables:

Number of days past due	2015 £000	2014 £000
1–30 days	**—**	2
30–60 days	**—**	—
60–90 days	**7**	—
90 days +	**7**	35
	14	37

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

16 CASH AND CASH EQUIVALENTS

	2015 £000	2014 £000
Cash at bank and in hand	**6,871**	6,992

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

17 TRADE AND OTHER PAYABLES

Group	2015 £000	2014 £000
Deferred income in respect of rents and insurances	**5,134**	5,879
Trade and other payables	**7,729**	2,314
Accruals	**1,304**	1,304
	14,167	9,497

Company		
Amounts due to Group undertakings	**2,874**	4,187
Trade payables	**5,892**	3
Accruals	**190**	431
	8,956	4,621

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers interest is charged if payment is not made within the required terms. Thereafter, interest is chargeable on the outstanding balances at various rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timescale.

18 BORROWINGS — BANK OVERDRAFT

The Group's overdraft facility is reviewed annually.

19 BORROWINGS

Group	2015 £000	2014 £000
11.5% First Mortgage Debenture Stock 2014	**–**	4,203
Bank loans	**59,483**	59,367
Revolving credit facility	**15,750**	9,500
675,000 (2014: 675,000) Preference shares of £1 each	**675**	675
	75,908	73,745

Company		
11.5% First Mortgage Debenture Stock 2014	**–**	4,203
Bank loan	**19,805**	19,733
Revolving credit facility	**15,750**	9,500
675,000 (2014: 675,000) Preference shares of £1 each	**675**	675
	36,230	34,111

The 11.5% First Mortgage Debenture Stock 2014 was redeemed at par on the final redemption date of 1 July 2014.

The 11.5% First Mortgage Debenture Stock 2014 was secured by first legal mortgages on certain freehold and leasehold properties and by a first floating charge on the undertakings and all property assets and rights present and future including any uncalled capital of A & J Mucklow (Properties) Limited, a wholly owned subsidiary undertaking of the Company.

The HSBC facilities were renewed in the 2013 financial year. They consist of a £1.0m overdraft, a £20.0m five year term loan and a £44.0m five year Revolving Credit facility. Of the total £44.0m (2014: £44.0m) revolving credit facilities, £15.8m (2014: £9.5m) was utilised at 30 June 2015. The facilities are secured against certain freehold and leasehold properties held by subsidiary companies.

On 20 May 2008, a loan of £20.0m was agreed with Lloyds Bank with expiry on 22 May 2023. Interest at 5.59% is payable quarterly, with repayment of the capital due at the end of the term. The loan is secured against certain freehold and leasehold properties held by A & J Mucklow (Investments) Limited, a subsidiary company.

On 3 October 2012 a further £20.0m was agreed with Lloyds Bank with expiry on 3 October 2022. Interest at 5.23% is payable quarterly, with repayment of capital due at the end of the term. The facilities are secured against certain freehold and leasehold properties held by subsidiary companies.

Notes to the Financial Statements continued

19 BORROWINGS continued

The Preference shares carry the right to a fixed cumulative dividend of 7% per share per annum. This amount is payable half yearly in arrears on 30 June and 31 December each year. Until the abolition of Advance Corporation Tax in 1999, the rate applicable to the Preference shares was 4.9% net.

In the event of the Company being wound up, the Preference shares entitle the holder to repayment of the capital paid up plus a premium and any arrears of dividend (net of tax credit). The premium payable on each share will be based on the excess (if any) over par of the average daily middle-market quotations during the six months immediately preceding the relevant date, less arrears of dividend (net of tax credit).

The Preference shares carry no right to vote at General Meetings.

20 DEFERRED TAX

The Group and Company have a deferred tax asset of £0.0m (2014: £0.0m) in respect of interest rate caps in the non-REIT business which has not been recognised due to uncertainty over taxable profits in the short term within the non-REIT business.

21 SHARE CAPITAL

	2015 £000	2014 £000
Authorised		
Equity		
117,300,000 (2014: 117,300,000) Ordinary shares of 25p each	**29,325**	29,325
Allotted, Called Up and Fully Paid		
Equity		
63,294,833 (2014: 63,241,338) Ordinary shares of 25p each	**15,823**	15,810

Share options exercised in the year have resulted in the issue of 53,495 (2014: 98,820) Ordinary shares in the year.

Options over 105,418 Ordinary shares were granted in the year. The conditions for vesting are disclosed in the Board Report on Directors' Remuneration on pages 31 to 50. If the vesting conditions are met, the current awards are intended to be settled by the issue of new shares.

In addition to the above, the Company has £675,000 (2014: £675,000) at nominal value of £1 Preference shares authorised and in issue, representing 4% (2014: 4%) of the Company's capital. These are classified within non-current borrowings, see note 19.

22 RESERVES

The revaluation reserve represents the revaluation surplus on the revaluation of owner-occupied properties. As this reserve is made up of unrealised profits and losses, it is not available for distribution to shareholders until realised through sale.

The Capital Redemption Reserve represents the nominal value of Ordinary shares redeemed by the Company in prior years.

The share premium reserve represents the premium, net of costs, raised from the placing of 2,900,000 shares on 4 March 2014.

23 FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed below, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued Ordinary share capital, reserves and retained earnings.

Gearing ratio

The Board reviews the capital structure of the Group on a regular basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group has a target maximum gearing ratio of 50% determined as the proportion of debt (net of cash) to equity. The gearing ratio at the year-end is as follows:

	2015	2014
	%	%
Net debt to equity	**26**	30

Debt is defined as long and short-term borrowings, as detailed below, net of cash. Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements, although there are restrictions on the level of interest that can be paid due to conditions imposed on Real Estate Investment Trusts.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

The Group's principal financial assets are bank balances and cash disclosed in note 16, trade and other receivables disclosed in note 15, derivative financial instruments and mortgages disclosed in note 13. The Group's principal financial liabilities are debenture loans, bank borrowings, Preference share capital and overdrafts as disclosed in notes 18 and 19.

Financial risk management

The Group seeks to minimise the effects of market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk by using a combination of fixed and floating rate debt instruments with varying maturity profiles. The Group's policy is not to enter into or trade in derivative financial instruments, other than to hedge banking facilities.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. For the last few years, the Group's low levels of gearing and surplus cash have reduced the risk to changes in interest rates. The Board reviewed the increase in borrowing requirements and forecast cash flows and decided to enter into long-term fixed rate loans to reduce the exposure to variable interest rates.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rates on financial assets and liabilities is detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 0.5% higher and all other variables were constant, the Group's profit for the year would decrease by £0.2m (2014: decrease by £0.1m), mainly attributable to interest rates on its variable rate borrowings. If interest rates had been 0.5% lower and all other variables were constant, the Group's profit for the year would increase by £0.2m (2014: £0.1m).

The Group's sensitivity to interest rates has been maintained during the current period due to a minimal increase in variable rate debt instruments, with long-term fixed rate debt remaining constant.

Notes to the Financial Statements continued

23 FINANCIAL INSTRUMENTS continued

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are highly rated. The Group's exposure and the credit ratings of its counterparties are monitored and the transactions concluded are spread amongst approved counterparties.

The maximum credit risk on financial assets at 30 June 2015 is £7.9m (2014: £8.6m).

The Group's credit risk is primarily attributable to its trade and mortgage receivables and cash balances. The amounts included in the balance sheet are net of allowances for bad and doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of tenants covering a wide variety of business types. Concentration of credit did not exceed 7% of annual rent to any one tenant at any time during the year.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

Included below is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	Less than one month £000	1–3 months £000	3 months – 1 year £000	1–5 years £000	5+ years £000	Total £000
2015							
Variable interest rate instruments	3.19	205	—	481	37,009	—	37,695
Fixed interest rate instruments	5.42	—	519	1,592	8,979	46,172	57,262
		205	**519**	**2,073**	**45,988**	**46,172**	**94,957**
2014							
Variable interest rate instruments	3.17	186	—	474	31,326	—	31,986
Fixed interest rate instruments	6.00	4,445	520	1,591	8,797	48,465	63,818
		4,631	520	2,065	40,123	48,465	95,804

The interest rate caps have been independently valued calculating the present value of expected future cash flows. The mortgage receivables have been valued by discounting the expected future value of repayments.

The interest payable on the revolving credit facility, which is included in the variable rate instruments above, is included as payable within one month as monies are drawn down on a monthly basis. The principal is included when the facility is due to expire.

As the preference shares carry no right to redemption, no repayment of principal has been included in the figures. Interest payments for ten years have been included in both of the above tables.

The Group's policy for financing the business is mainly through the use of fixed rate long-term loans to manage interest rate risk. In May 2008 the Group borrowed £20.0m from Lloyds Bank for 15 years at a fixed rate of interest. In October 2012 the Group borrowed a further £20.0m from Lloyds Bank for 10 years at a fixed rate of interest.

23 FINANCIAL INSTRUMENTS continued

The Group has entered into interest rate caps in respect of £35.0m of the 2018 HSBC term loan and revolving credit facilities (2014: £35.0m), in order to limit the impact to the Group of increases in LIBOR interest rates.

The Group had undrawn revolving credit facilities of £28.2m at 30 June 2015 (2014: £34.5m), which expire in 2018. The Group has a £1.0m overdraft facility which expires in less than one year. £1.0m of this facility was undrawn as at 30 June 2015 (2014: £1.0m was undrawn). The Group has a fully drawn £20.0m fixed rate loan facility which expires in 2023 (2014: £20.0m), a fully drawn £20.0m fixed rate loan facility which expires in 2022 (2014: £20.0m) and a fully drawn £20.0m variable rate loan facility which expires in 2018 (2014: £20.0m).

The fair values of financial assets and liabilities are disclosed below, except for the fair value information on available-for-sale financial assets, cash and cash equivalents and short-term receivables and payables which is given in notes 13, 15, 16 and 17.

Fair values As at 30 June 2015	**Book value £000**	**Fair value £000**	**Fair value adjustment £000**	**% of book value**
Financial assets				
Interest rate caps	58	58	—	—
Financial liabilities				
Lloyds Bank loan 2023	19,966	24,639	4,673	23
Lloyds Bank loan 2022	19,712	20,336	624	3
HSBC term loan	19,805	20,000	195	1
Revolving credit facility	15,750	15,750	—	—
Preference shares	675	655	(20)	(3)
	75,908	**81,380**	**5,472**	**7**

Fair values As at 30 June 2014				
Financial assets				
Interest rate caps	249	249	—	—
Financial liabilities				
11.5% First Mortgage Debenture Stock 2014	4,203	4,203	—	—
Lloyds Bank loan 2023	19,962	23,997	4,035	20
Lloyds Bank loan 2022	19,672	19,381	(291)	(1)
HSBC term loan	19,733	20,000	267	1
Revolving credit facility	9,500	9,500	—	—
Preference shares	675	608	(67)	(10)
	73,745	77,689	3,944	5

The fair value of the fixed rate bank loan has been externally valued by discounting expected cash flows at prevailing interest rates at the year end. The fair value of the revolving credit and term loan have been calculated by discounting expected cash flows at prevailing interest rates at the year end and are not materially different to book value. The fair value of the Preference share capital has been based on their latest trades. The fair value of the Debenture Stock as at 30 June 2014 was considered to be the par value, given that the stock was redeemed at par on the following business day. The interest rate caps have been externally valued by discounting expected cash flows at prevailing interest rates at the year end.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements continued

23 FINANCIAL INSTRUMENTS continued

30 June 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment and development properties	**—**	**—**	**348,607**	**348,607**
Financial assets at FVTPL — interest rate caps	**—**	**58**	**—**	**58**
Available-for-sale assets — mortgage receivables	**—**	**122**	**—**	**122**

30 June 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment and development properties	—	—	297,916	297,916
Financial assets at FVTPL — interest rate caps	—	249	—	249
Available-for-sale assets — mortgage receivables	—	122	—	122

Investment properties have been valued using the investment method which involves applying a yield to rental income streams. Inputs include yield, current rent and ERV. For the June 2015 valuation, the yields used ranged from 5.0% to 8.9% (June 2014 – 5.3% to 10.5%). Valuation reports are based on both information provided by the Company e.g. current rents and lease terms which are derived from the Company's financial and property management systems and are subject to the Company's overall control environment, and assumptions applied by the valuers e.g. ERVs and yields. These assumptions are based on market observation and the valuers professional judgement.

An increase or decrease in rental values will increase or decrease valuations, and a decrease/increase in yields will increase/decrease the valuation. There are interrelationships between these inputs as they are determined by market conditions. The valuation movement in a period depends on the balance of those inputs. Where the inputs move in opposite directions (yields decrease and rental values increase), the valuation movement is magnified. If the inputs move in the same direction (yields increase and rental values decrease), they may offset each other.

The fair value of the mortgage receivables is determined by discounting the expected future value of repayments. Interest rate caps are externally valued based on the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates at the balance sheet date.

There were no transfers in categories in the current or prior period.

The following table analyses the interest profile of the mortgage receivables disclosed in note 13.

Group	2015 £000	2014 £000
Sterling financial assets:		
Fixed rate	**—**	—
Non-interest bearing	**122**	122
	122	122

The Company has no sterling financial assets.

Financial assets are cash at bank and in hand, short-term deposits, derivative financial instruments and mortgage receivables. There were no money market deposits at either 30 June 2015 or 30 June 2014. Cash at bank is at floating rate based on base rate.

The fair value of financial assets is not materially different to book value.

24 CONTINGENT LIABILITIES

The bank overdrafts and loans of the Group are secured by interlocking cross guarantees given by the Company and subsidiary undertakings. All of the overdrafts and loans are included in the Group balance sheet.

The Company and certain subsidiaries have, in the normal course of business, given guarantees in respect of development contracts of subsidiary undertakings.

25 OPERATING LEASES

The Group as lessor

The Group leases out all of its investment properties under operating leases.

Future aggregate minimum rentals receivable under non-cancellable operating leases are:

Group	2015 £000	2014 £000
Not later than one year	**21,527**	19,456
Later than one year but not later than five years	**58,585**	55,168
Later than five years	**63,885**	61,112
	143,997	135,736

Property rental income earned during the year was £21.6m (2014: £21.1m). Direct operating expenses arising on the investment property in the period amounted to £1.0m (2014: £1.0m). No one tenant accounts for more than 7% of annual passing rent.

Lease terms vary depending upon the property use and the lease length, but no tenant has the option to purchase a property at the end of their lease.

26 COMMITMENTS

Group	2015 £000	2014 £000
The amount of outstanding commitments for capital expenditure contracted for but not provided for in the consolidated balance sheet	**–**	3,543

27 RELATED PARTY TRANSACTIONS

Investments in subsidiaries

Company	£000
As at 1 July 2014	**186,142**
Impairment	**–**
As at 30 June 2015	**186,142**

The shares in the subsidiary undertakings are stated at cost, less any provision for impairment.

The Group has a related party relationship with its subsidiaries and its directors. Transactions between the Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed below. In addition, the remuneration of the key management personnel (including directors) of the Group, is disclosed in aggregate below and is provided in detail in the audited part of the Board Report on Directors' Remuneration.

The Company undertakes the following transactions with its active subsidiaries:

- Providing day-to-day funding; and
- Receiving dividends of £13.1m (2014: £12.0m).

Remuneration and key management personnel

The remuneration of the key management personnel (including directors) of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual directors is provided in the audited part of the Board Report on Directors' Remuneration on pages 31 to 50 .

Group	2015 £000	2014 £000
Short-term employee benefit	**1,366**	1,329
Post-employment benefits	**123**	145
Share-based payment	**235**	236
	1,724	1,710

There have been no related party transactions with directors.

Notes to the Financial Statements continued

28 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Group has a share option scheme for certain employees of the Group. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest, unless they are deemed to be a good leaver in accordance with the scheme rules.

Details of the share options outstanding during the year are as follows:

	2015		2014	
	Number of share options	Exercise price in p	Number of share options	Exercise price in p
Outstanding at 1 July	323,649	25	354,631	25
Granted during the year	105,418	25	87,606	25
Exercised during the year	(53,495)	25	(98,820)	25
Lapsed during the year	(69,965)	—	(19,768)	—
Outstanding at 30 June	305,607	25	323,649	25
Exercisable at 30 June	—	—	—	—

Options over 53,495 ordinary shares were exercised during the year. The weighted average share price at the date of exercise was 495p. The aggregate amount of gain made by the directors during the year on the exercise of share options was £209,267.

The aggregate of the estimated fair values of the options granted during the year is £0.2m (2014: £0.2m).

The weighted average remaining contracted life of the options outstanding at 30 June 2015 was 1.2 years. The exercise price for all options is 25p per share.

The inputs into the Monte Carlo simulation model are as follows:

	2015	2014
Share price at valuation date	432.5p	480p
Exercise price	25p	25p
Expected volatility	36%	37%
Risk-free rate	1.19%	0.76%
Expected dividend yield	4.74%	3.27%

Expected volatility was determined by calculating the historical volatility of the Group's share price over a term commensurate with the expected life of each option.

The Group recognised total expenses of £0.2m related to equity-settled share-based payment transactions in the financial year ended 30 June 2015 (2014: £0.2m).

29 SUBSIDIARY UNDERTAKINGS

A & J Mucklow Group plc, the ultimate Parent Company, is a public limited company registered in England and Wales, domiciled in the United Kingdom. The Company's registered office is 60 Whitehall Road, Halesowen, West Midlands, B63 3JS. The Company is the holding company for the Group.

A & J Mucklow Group plc holds ordinary shares in the following wholly owned subsidiary undertakings. All were registered and operated in England and Wales.

Property investment and development

A & J Mucklow (Halesowen) Limited
A & J Mucklow (Investments) Limited
A & J Mucklow (Properties) Limited
Penbrick Limited

Trading

A & J Mucklow & Co Limited

Administrative

A & J Mucklow (Nominees) Limited

Dormant

Barr's Industrial Limited
A & J Mucklow (Birmingham) Limited
A & J Mucklow (Estates) Limited
A & J Mucklow (Lancashire) Limited
A and J Mucklow (Lands) Limited
Belfont Homes (Birmingham) Limited
A & J Mucklow (Callowbrook Estate) Limited
A & J Mucklow (Ettingshall Estate) Limited
A & J Mucklow (Wollescote Estate) Limited

Shareholder Information

Five year record

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Revenue					
Gross rental income	**21,589**	21,141	20,398	20,160	18,344
Net rental income	**20,581**	20,116	19,839	19,207	17,699
Other income/(expenditure)	**(12)**	28	(2)	1,530	3
Profit on disposal of investment properties	**106**	271	92	307	1,348
Operating profit	**59,812**	44,773	19,702	3,210	15,797
Profit before taxation	**56,223**	40,703	16,346	109	12,892
Capital					
Net assets	**268,640**	224,971	182,479	177,570	188,618
Property portfolio	**349,715**	298,916	262,720	252,747	261,281
Per Ordinary share					
Earnings	**89.02p**	66.45p	27.21p	0.28p	22.43p
Ordinary dividend*	**20.84p**	20.23p	19.64p	19.07p	18.51p
Net asset value†	**424p**	356p	303p	295p	314p

* Representing interim paid and final proposed dividend for the year.
† Excludes surplus on land held as trading properties.

Investor Relations

Annual General Meeting
The Group's Annual General Meeting will be held on Tuesday 10 November 2015 at 11.30 a.m. at the Birmingham Botanical Gardens, Westbourne Road, Edgbaston, Birmingham B15 3TR.

Share Price Information
A&J Mucklow Group plc is listed on the main market of the London Stock Exchange (symbol: MKLW; ISIN: GB0006091408).

Website
Please visit the Group's website (www.mucklow.com) for further information about the Group.

Environmental matters
This document is produced from 100% virgin fibre, is FSC certified and is ECF (Elemental Chlorine Free).

Financial Calendar 2015/16

Annual General Meeting		10 November 2015
Results announced		
For the half year to 31 December 2015		February 2016
For the year to 30 June 2015		September 2016
Ordinary dividends		
Final for 2014/2015	— announce	8 September 2015
	— pay	4 January 2016
Interim for 2015/2016	— announce	February 2016
	— pay	July 2016

Glossary

Base rate is the rate at which the Bank of England lends to other financial institutions.

Book value is the amount at which assets and liabilities are reported in the financial statements.

BREEAM is the European Building Research Establishment Environmental Assessment Method.

Company is A & J Mucklow Group plc.

Development construction cost is the total cost of construction of a project to completion, excluding site values and finance costs.

Development properties are properties held for development purposes and are shown as non-current assets in the balance sheet.

Earnings per share (EPS) is earnings, in pence, attributable to each equity share, and consists of profit/(loss) after tax divided by the weighted average number of shares in issue during the period.

EPRA is the European Public Real Estate Association.

EPRA earnings are the profit/(loss) after taxation excluding investment and development property and derivative financial instrument revaluations and gains/(losses) on disposals of investment, development and trading properties and their related taxation whether deferred or otherwise.

EPRA net asset value is the net asset value, excluding deferred tax on property revaluation surpluses and including the surplus on trading properties and excluding the fair value of derivative financial instruments.

Equivalent yield represents the return a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the Group's external valuers) assume rent received annually in arrears and on values including prospective purchasers' costs.

Estimated rental value (ERV) is the Group's external valuers' opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Finance lease is a lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.

Gearing is total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus non-equity shareholders' funds as a percentage of equity shareholders' funds.

Group is A & J Mucklow Group plc and its subsidiaries.

IFRS is International Financial Reporting Standards.

Lease incentives are any incentive offered to occupiers to enter into a lease. Typically the incentive will be an initial rent free period, or a cash contribution to fit-out or similar costs. For accounting purposes, under IFRS, the value of the rent-free period is spread over the life of the lease.

LIBOR is the London Interbank Offered Rate, the interest rate charged by one bank to another for lending money.

Mark to market is the difference between the book value of an asset or liability and its market value.

Market value in relation to property assets is an opinion of the best price at which the sale of an interest in the property would complete unconditionally for cash consideration on the date of valuation (as determined by the Group's external valuers). In accordance with usual practice, the Group's external valuers report valuations net, after the deduction of the prospective purchaser's costs, including stamp duty, agents' and legal fees.

Net asset value (NAV) per share is total equity divided by the number of Ordinary shares in issue at the period end.

Net rental income is the rental income receivable in the period after payment of ground rents and net property outgoings. Net rental income will differ from annualised net rents and passing rent due to the effects of income from rent reviews, net property outgoings and accounting adjustments for fixed and minimum guaranteed rent reviews and lease incentives.

Occupancy rate is the area of let units expressed as a percentage of the total area of the portfolio, excluding development properties.

Planning Consent gives consent for a development, and covers matters such as use and design. Full details of the development scheme must be provided in an application for full planning consent, including detailed design, external appearance and landscaping before a project can proceed. Outline planning consent establishes the broad outline of the scheme and is subject to the later approval of the details of the design.

Pre-let is a lease signed with an occupier prior to completion of a development.

Property Income Distribution (PID). As a REIT the Group is obliged to distribute 90% of the tax-exempt profits.

These dividends, which are referred to as PIDs, are subject to withholding tax at the basic rate of income tax. Certain classes of shareholders may qualify to receive the dividend gross. See our website (www.mucklow.com) for details. The Group can also make other (normal) dividend payments which are taxed in the usual way.

PSF is per square foot.

Qualifying activities/qualifying assets is the ownership (activity) of property (assets) which is held to earn rental income and qualifies for tax-exempt treatment (income and capital gains) under UK REIT legislation.

Real Estate Investment Trust (REIT) is a listed property company which qualifies for and has elected into a tax regime, which exempts qualifying UK property rental income and gains on investment property disposals from corporation tax. A & J Mucklow Group converted to REIT status on 1 July 2007.

Total shareholder return is the growth in value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional units of stock.

Trading properties are properties held for trading purposes and are shown as current assets in the balance sheet.

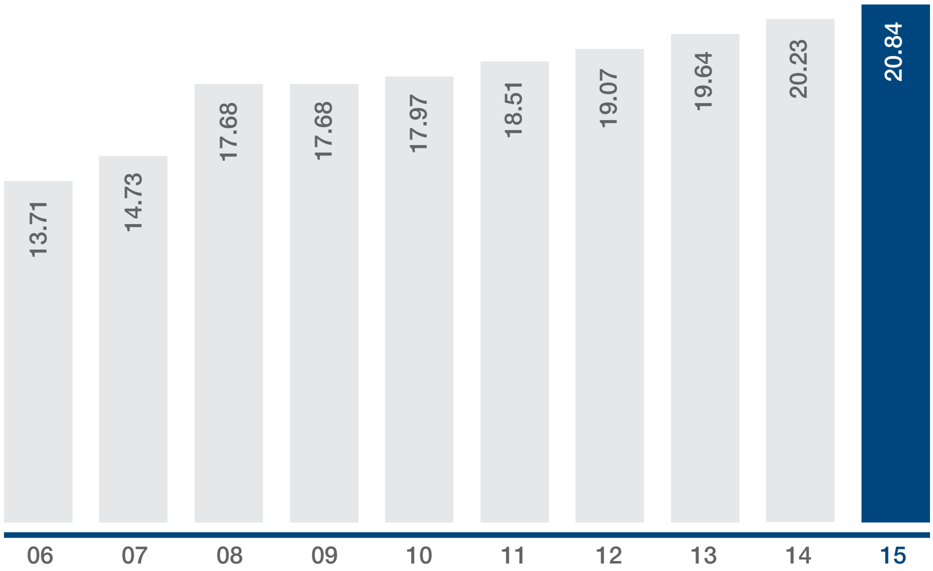
Vacancy rate is the area of vacant properties expressed as a percentage of the total area of the portfolio, excluding development properties.

Yield is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation, excluding development properties.

Yield shift is a movement (negative or positive) in the equivalent yield of a property asset.

Dividend History

Dividend per share (p)



Shareholder Notes

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